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ROYAL COMMISSION
ON
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

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APPEARANCES:

J. Norman Hyland, President of the Council
and Director of British Canada Packers
Ltd., Vancouver, B.C.
C.J. Morrow, President, National Sea Products
Ltd., Halifax,
Gordon O'Brien, Manager of the Council,
Fisheries Council of Canada.

Ralph S. Staples, President, Co-operative
Union of Canada,
Leo Berube, Secretary, Le Conseil Canadien
de la Co-operation,
Marius Poitras, Director,
W. B. Melvin, National Secretary,
Co-operative Union of Canada.

Peter Martin, President,
J. Yves Pilon, Secretary-Treasurer,
Harry Arthurs, Chairman, Scholarship Campaign,
Thomas Hammond, member, Scholarship Committee,
National Federation of Canadian University
Students.

A. Murray MacKay, Chairman of the Commission
and President, Maritime Telegraph and
Telephone Company, Limited,
H. A. Mann, Executive Manager of the Commission,
The Maritimes Transportation Commission.

R. F. Chisholm, Chairman of the Association,
and Vice-President and General Manager
Gordon MacKay & Co. Ltd., Toronto.
J.V.R. Porteous, President, Greenshields,
Hodgson, Racine Ltd., Montreal.
J.M. Garland, President, John M. Garland &
Son Ltd., Ottawa.
Canadian Conference on Wholesale Distribution.

Leslie Morris,
J. B. Salsberg,
Harry Binder,
Gui Caron,
William Kashtan,
Labour Progressive Party.

THE CHAIRMAN : I think we might come to order, gentlemen. The first item on this morning is the submission by the Fisheries Council of Canada and, Mr. Hyland, if you are ready we might as well start in.

MR. HYLAND : Thank you, Mr. Chairman.

THE CHAIRMAN : And if it is easier for you to stand, please do, and if you would sooner sit down it does not make any difference to us.

MR. HYLAND : Thank you.

THE CHAIRMAN : We will mark your submission 234.

MR. HYLAND : Mr. Chairman and members, I would first like to introduce the members of the Council who are appearing here today. On my extreme right is Mr. Clarence Morrow of Lunenburg, Nova Scotia, of National Sea Products of that province; Mr. Gordon O'Brien, who is Manager of our Council and I appear here as the President of the Council for the current year. I come from Vancouver where I am employed by British Columbia Packers Limited and the Vice-President of that Company and in charge of its sales.

I would like to thank the Commission for the opportunity on behalf of the Council to appear and express some of our opinions in connection with our industry.

It is my intention to just go through our summary of our brief and possibly amplify some parts of it where I think it might be of additional value to the Commission. I realize that your time is limited and valuable and it is not our intention to use it up

too liberally.

The Fisheries Council of Canada represents Canada's commercial fishing industry at the national level and its membership includes processors both corporate, private and a number of co-operative fishermen's organizations and in addition we have wholesale distributors represented. Our member firms process and market over 90 per cent of the annual fisheries catch.

The marketed value of the industry's products on a value f.o.b. plant basis approximates 200 million dollars annually. Some 92,000 persons are directly dependant upon the industry for their livelihood and in some remote areas of our country it provides the only available source of employment.

The annual catch of fish and shellfish is around 2 billion pounds, with all provinces participating. In terms of marketed value and on the 1950-54 average, the chief producing areas are British Columbia with 36.2 per cent, the Maritime Provinces 33.3 per cent and Newfoundland 18.0 per cent. The balance of the production is spread fairly evenly over the Prairie Provinces and Northwest Territories, plus Ontario and Quebec.

About 35 per cent of the total fisheries products is consumed in Canada and the balance is exported. Some twenty-five countries are important consumers of our products. The United States takes about 70% of our total exports, by value, and the United Kingdom, the next most important single market with about 10%.

I might mention in connection with the United Kingdom, that their interest in Canadian fishery products is confined to canned salmon, therefore British Columbia is the only province participating.

The fishing industry--just to outline some characteristics of it -- cannot control or regulate the source of its raw material. The Federal Government, in which is vested the responsibility for the sea coast, and inland fisheries, must enact and enforce conservation regulations designed to protect and develop the resources and negotiate with governments of other nations to achieve joint action in international fisheries.

This latter aspect is assuming increasing importance each year as Canada enters additional international agreements designed to conserve and to regulate the fisheries off our shores or within our inland lakes.

The industry has made predictions for substantial increases in the production of Canadian fisheries during the next 25 years. Our West coast industry believes that salmon production will be doubled and herring landings will increase by 40%, and greater halibut production should yield a 50% increase in market values.

Since this brief was originally submitted, I am please to report that our optimistic predictions as to the herring landings have been coming true in our current fishing season. Up to the week of first March our catch was running approximately 35 per cent ahead of the past five-year average. We appear to be finding new sources of fish along our coast,

which up until recently we had not known existed.

Western producers are also of the opinion that greater utilization will be made of such species as grayfish and turbot and that these should be fished as a conservation method. It also appears logical to assume that the lobster and oyster fisheries of the East coast can be increased by the application of presently known scientific knowledge.

I might mention also at this point that it is relatively easier to forecast the projected increase of abundance in our West coast species, firstly because they are easier species to study biologically, and there is a greater background of research work which has been done on our West coast items.

Conservation work is proceeding rapidly, with encouraging co-operation from foreign countries. The work of the various international fisheries commissions is most commendable. Since nationals of many of these foreign countries compete with our fishermen in waters off our shores for the available supply of fish, it is important that this joint action for preservation of stocks be given maximum support.

Canada has certain geographical advantages in exploiting fisheries off our Atlantic shores but that advantage would be useless if other nations which operate on our banks or at least on the banks which are close to Canada, if they were not controlled in some degree with respect to their fishing operations and that is the principal motive and objective of these international Commissions which are designed to conserve

fisheries.

In this regard we would point out there is one, what we feel, is a glaring inconsistency and a discrimination against Canadian fishermen. I refer to a regulation covering the 12-mile limit, this applies internationally. To date the international waters commence at a point three miles from our shores and foreign vessels along our Atlantic main-land can operate within three miles of our coast while our own Canadian vessels, those in excess of 65 feet, are excluded, they must stay 12 miles off our shores. So the effect of this is you have a nine mile band between three miles and twelve miles which is denied to vessels, sea-going fishing vessels of Canadian registry.

MR. GUSHUE : Is that a Canadian regulation?

MR. HYLAND : Yes.

MR. GUSHUE : American vessels actually fish in that band, don't they?

MR. HYLAND : Yes. It becomes a source of great irritation to Canadian skippers.

The prediction for future supplies for the West coast fisheries are based upon the continuation of present government policy that power dams will not be built on salmon producing rivers until a way is found to get salmon up and down past dams without loss. The suggestions and proposals made for construction of hydro-electric power sites on the Fraser and its tributaries in British Columbia, if implemented, would decimate our salmon runs and bring speedy ruin to a very valuable segment of our industry.

We are confident that a study of this question will show that the public interest can best be served by retaining existent and potential salmon rivers for salmon.

With the rapidly growing population of the world, we are faced with a constantly increasing need for protein food, which is abundantly available from fisheries.

Hydro power development can, and should be, carried out on non-fish producing rivers such as the Columbia and other sources of energy should be fully utilized. Concurrently with this development, work and study should be expedited in an endeavour to solve the problem of obtaining both fish and power from the same rivers should such additional power be needed in the future.

The supply of raw material available to the industry in the future will depend, therefore, on sound government policies to conserve and increase stocks, to protect Canadian fishermen wherever possible from excessive foreign competition, and to safeguard the important salmon spawning rivers.

A few remarks on our marketing outlook.

The industry is confident it will be able to market its products in the future, including the predicted increased production. More dependence will be placed on the domestic market, which will consume, 25 years hence, a larger percentage of our total production, by virtue of a larger population and some increase in per capita consumption.

Any steps taken by the Canadian government

to provide additional protection for Canadian secondary industries might jeopardize our trade relations with foreign countries. The importance of export trade to this industry and to Canada should be constantly borne in mind and government measures should be designed to maintain and foster multilateral trade. A greater degree of stability in the United States tariff policy would be most helpful - at present there is far too much uncertainty.

As an illustration of this I would report that the fillet producers, the ground fish fillet producers in the New England States have recently made an application to the U.S. Tariff Commission for relief under the present U.S. tariff legislation. They maintain that the present tariff on the imports into the United States, approximately 75 per cent or more which comes from Canada, are endangering their industry and they are seeking some relief either in the form of quotas or an increased tariff or both. I mention this as an example. This is the first time I believe in approximately five years that the Canadian industry has had to fight such a move and I am sure the Commissioners will appreciate that with that situation facing us periodically that it does cause hesitation in improving our plant and boat equipment and expanding our industry.

Some Canadian policies, such as tight government control on vessel importations, and the import duty on vessels up to 100 feet in length from Most-Favoured Nation countries, add to production costs and affect our competitive position on world markets.

In this regard, the vessels used in our

fisheries are probably the single most important capital items used in our fisheries and particularly in large vessels the industry has some problems in bringing in vessels or securing vessels from the cheapest possible source. We feel that to be competitive we should enjoy complete freedom to import our floating equipment without restriction or qualification. I omit from that any definite regulations as far as steamship inspection are concerned which are justified to insure that our seamen will be sailing on sea worthy vessels. We do not dispute that requirement. But some of the other restrictions are very irritating. We feel that they, in some respects, appear to be designed to afford a measure of protection to our domestic shipbuilding industry. If it is in the interests, in the national interests, that we maintain the nucleus of a boat building industry, then we feel that the costs of doing that should be borne by the whole country and not focused on the users of the vessels only.

If other major segments of the Canadian food industry are to come under subsidized programs of one kind or another, the position of the fishing industry could become difficult. The same difficulty could arise if our competitors for world markets developed their industries under an umbrella of government subsidies. We appreciate, of course, that we have little effect on the extent to which other countries subsidize competing industries, or food industries.

With respect to capital requirements:

We believe capital will always be available

for sound fishery ventures. Fishermen have access to short-term loans for purchase of new equipment, but improved credit facilities would be advantageous to them. No special difficulties are anticipated in securing required capital.

With respect to capital requirements for fishermen, the Fishermen's Loan Act which became effective in December 1955 is a step in the right direction. It is government legislation providing loans of up to \$4,000 for individual fishermen.

Higher productivity per man in both the primary and processing ends of the industry will be achieved by greater mechanization, better equipment and improved instruments of production.

The process will be slower in remote areas where lack of adequate transportation and communication facilities complicates a modernization program.

We believe that the most rapid development of the Canadian fisheries will take place with the government concentrating on those fields where it, and it alone, can do the job, and assisting the industry in such broad spheres as the development of foreign trade. Co-ordination of this work and the efforts of the industry to produce, process and market its products under a free competitive system, will, we are sure, result in a greater Canadian fishery.

Just to conclude on that point, I would like to again focus the attention of the Commission on what we feel is a unique, and a characteristic of the fishing industry, and which makes it distinctively

different to most of our natural resource industries. As we all know it is possible for a producer of lumber, pulp and paper, to acquire title or license to great areas of growing timber and with this assurance of decades of raw materials it is possible to plan an efficient and profitable log trimming operation. Mining operators can block out tonnages of ore upon which to base their future operations their drilling, drilling tests, which assure them of the quantity and quality of the ore at their disposal. Once the exploratory stages of oil and gas drilling have been completed leases can be obtained and all resources blocked out underground. Licenses may be secured for the use of water for Hydro-Electric purposes, and on the assurance of these licenses substantial capital commitments committed. In the case of the fisherman actually he owns nothing, he has no assured claim to any raw materials in the sea. He is entirely dependant on the uncertainties of fish supply and weather for his raw material right up to the processing plant.

It is this unique characteristic of the fishing industry which necessitates the high degree of government control which is necessary at the producer level. We feel therefore that the Government as presently constituted in the Department of Fisheries is supplying a very important and very valuable function. It is the only instrument which can effectively operate in the field of conservation in fishery control. Over the past few years the Department has become well staffed with trained people and the nucleus is now there we believe

to do a better and a bigger job in increasing our basic supplies of fish.

That concludes my presentation, Mr. Chairman. If there are any questions from yourself or your fellow Commissioners I or Mr. Morrow or Mr. O'Brien will endeavour to reply to them. Thank you.

THE CHAIRMAN : Thank you very much, Mr. Hyland. I think we will probably ask Dr. Gushue if he would do most of the questioning for us. There are two that I would like to ask, if you will forgive me, Dr. Gushue. To what extent are you using or can you use radar in looking for fish?

MR. HYLAND : Well, Mr. Chairman, I believe radar as a navigational aid is coming into increasing use on the Atlantic coast. Its actual application to fish is I believe in the development stage, although the radar principle is not identical but used extensively now in finding fish and plotting fathoms, we call them fathom sounders or fathom measures and particularly on the West coast herring fishery a fathom sounder is a very important piece of equipment, we cannot fish herring without them.

THE CHAIRMAN : Will that apply to other sections of the industry too in time?

MR. HYLAND : I believe it will apply to bait and those species of fish which school in dense shoals and they are providing a solid body on which to get a register on the screen. They are used in the halibut fishery in order to block-out what the fishermen call the drop-off which is the edge

of the continental shelf where it drops in the deeper sea; or they will use it in countries which are favourable feeding grounds for halibut particularly. At one time fishermen used to have to take soundings to lay their gear but now with the aid of this equipment they can chart a course and lay their gear very accurately.

THE CHAIRMAN : One other question about merchandising. Do you expect that the domestic per capita consumption of fish in this country is likely to increase substantially as a greater use is made of the frozen food method of distributing fresh fish?

MR. HYLAND : Yes, I think you will find generally optimistic thinking throughout the industry on that question. I would say at the present time the business which we are enjoying in package form from the frozen food cases is more a replacement of business which we enjoyed previously in another form, but we believe that fish in that form has much greater sales possibilities than in the method in which it was previously distributed. We feel that for the first time frozen fish can enjoy the economy of group distribution with other foods. I refer to the whole grouping of frozen foods. At one time the facilities for wholesaling and retailing fresh and frozen fish were very specialized, they didn't sell anything else, and the basis costs all had to be borne by fish, and I feel definitely that did handicap the distribution of the product.

THE CHAIRMAN : Thank you.

MR. GUSHUE : Have you any figures as

to the per capita consumption in Canada, the trend over the last ten or twenty years?

MR. HYLAND : Yes, the figures statistically demonstrate that over the past ten years our per capita consumption has increased between 5 and 10 pounds per year to its present level of between 13 and 14. That figure however would have to be qualified by the base year when canned salmon was not available to Canadian consumers. It was during that later year of the war that the total of British Columbia pack was shipped to the people of Great Britain and consequently Canadian consumers could not buy it, and it does constitute a quite important item. But the general trend is upward slowly.

MR. GUSHUE : On page 4 of your summary you refer to -- well, actually you make predictions of an increased production of the Canadian fisheries during the next 25 years. You mention West coast salmon and herring and halibut and the East coast lobster, the possibility of increase in the lobster and oyster fisheries. There is no reference to the ground fish in these coasts, which is probably the largest potential, I would think. Is that because it is felt there is no ground for expecting any increase in the production of that?

MR. HYLAND : Well, with your permission I would ask Mr. Morrow, who is much more familiar with the Atlantic coast than I am, to comment on that question.

MR. MORROW : I would say that there is a fair chance of increasing the consumption of ground fish. I sometimes wonder about them getting fished out in certain areas but scientists tell us that we can

never fish the cod out particularly and apparently the idea that haddock in one of the United States, one of the banks fished in the coast by United States seamen years ago, at least I think over a good many years, that Georgia's bank would be fished out of haddock, by using larger size mesh nets, and the haddock seem to be coming back there. I think if we can find markets there is a good opportunity of increasing the catch of our ground fish.

MR. GUSHUE : The potential is there?

MR. MORROW : The potential is there, yes.
The competition from foreign vessels of course is the big factor.

MR. GUSHUE : You would need, of course, plant both for producing and processing. I think you make a point that you anticipate no difficulty in the processing plants for any increase.

MR. HYLAND : No, Mr. Gushue.

MR. GUSHUE : That would be available within the industry itself, I take it?

MR. HYLAND : I think that is the record generally that we have excess capacity now I think in most areas. We could handle more fish with our existing plant processing facilities. It is true in British Columbia, I would say, it is in the Atlantic coast.

MR. MORROW : Yes, more fishery could be handled on the Atlantic coast today.

MR. GUSHUE : If the market expanded you would not anticipate any difficulty about the extension of capital?

MR. MORROW : No. I mean private capital

would be available.

MR. GUSHUE : What about the question of labor? You have some plants I think particularly on the West coast where the labor is migratory, seasonal?

MR. HYLAND : Yes, that is true, Dr. Gushue. That applies to our native Indians of British Columbia who for many, many years have been in the custom of coming down from the interior ports to fish. The men take up fishing as a summer occupation and the women work in the plants. That is particularly true in the northern areas. It is not so true in the lower mainline area, that is around the mouth of the Fraser River where most of the help is local.

MR. GUSHUE : And of course on the subject of fishing I notice on page 45 I think it is -- 43, 44 and 45 -- you express some concern about the labor force particularly in fishing itself.

MR. HYLAND : I believe that particular opinion applies to the recruitment of fishing crews for the large vessels operating from our Atlantic provinces.

MR. GUSHUE : Yes. You say here:

"It is suggested that the Government should heed to this situation, and make provision for the entry into Canada of fishermen from European countries such as Portugal, Norway and Iceland. Unless crews can be obtained for the off-shore fishing vessels in that province, some segments of the industry may dry up."

MR. HYLAND : Yes, it is reported by the

firms and individuals operating large fishing vessels from Nova Scotia and Newfoundland that they are finding it increasingly difficult to get crews and also to get the type of promising young men who can develop into skippers.

MR. GUSHUE : The race of fishermen is dying, is it?

MR. HYLAND : There seems to be some indication that is so.

MR. GUSHUE : In Canada.

MR. HYLAND : Whether there are alternative forms of shore employment, and more attractive employment, or what the basic reason is, it is difficult to know.

MR. GUSHUE : Do you think if there is more alternative employment which is made attractive that you would lose the people you did bring in, if you brought in immigrant fishermen? Would it be a temporary measure in view of the fact there is other employment or would they stay in the fisheries?

MR. HYLAND : There are some people of the world who are fishermen in their blood. These men for example --

MR. GUSHUE : They are born fishermen they always felt in Nova Scotia and Newfoundland, I think. They don't seem to be there any longer?

MR. HYLAND : There are some, I imagine, who would rather fish than do anything else. It is in the case of skippers, their earnings are very favourable as compared with other forms of shore employment, I think they do extremely well, but that evidently is

not the entire answer.

MR. GUSHUE : Do the working conditions of the plants and on shore have anything to do with the matter of the personnel and labor conditions?

MR. HYLAND : Well, I could only answer authoritatively for our coast.

MR. GUSHUE : I should not perhaps say working conditions, but I am thinking of hard weather as well as working conditions.

MR. HYLAND : Undoubtedly that would have an influence. I don't think anyone would attempt to argue that fishing was an easy way of life, it is not. They undergo very definite hazards and although the improvements in navigational aids and the construction of vessels upon which they fish, the facilities for housing them, have been greatly improved, but it still remains I think a hazardous occupation and in some cases a very uncomfortable one.

MR. GUSHUE : On page 7 of your summary you say:

"If other major segments of the Canadian food industry are to come under subsidized programs of one kind or another, the position of the fishing industry could become difficult."

Are you able to be a little more specific about that?

MR. HYLAND : Yes. We refer to -- I mean there have been certain instances where certain agricultural products have been subsidized and our industry has to compete against such products. I can

refer particularly a few years ago when the Canadian Governments' policy was supporting the production of pork and tremendous quantities of pork were canned and much in excess of the domestic or any other market. And eventually those large stocks came back on the Canadian market and I know in our case we found we were competing, canned salmon, with government subsidized canned pork that was being sold to the consumers at prices substantially under what we were able to offer canned salmon at. Many of our buyers told us that our volume was being affected by the fact that consumers could buy a convenient canned pork at a lower cost than salmon. I use that as an example of what I mean.

MR. GUSHUE : Does that mean that the industry is against subsidized food programs or you feel that if other foods are subsidized that fish ought to be looked at too.

MR. HYLAND : No, we I don't think -- we are not looking for any subsidy.

MR. GUSHUE : Then you feel it is not a good policy, a good program?

MR. HYLAND : It just creates unnatural conditions.

MR. GUSHUE : On the same page you say:
"We believe that the most rapid development of the Canadian fisheries will take place with the government concentrating on those fields where it, and it alone, can do the job, and assisting the industry in such broad spheres as

"the development of foreign trade."

Would you like to expand on that reference there to the government, where it can help?

MR. HYLAND : Yes, we refer specifically to conservation and management of our basic raw supply. We feel that definitely is a government function inasmuch as the operators, the corporations in the industry do not have any ownership over raw supply and consequently unless you can take title to something the incentive to spend any money on developing is not very strong.

Then in the field of foreign trade, in our relationships with foreign countries, that of course is a government function and the efforts and organization of the Department of Trade and Commerce in opening up trade channels there which are very necessary and important, we feel we have the market know-how to follow up once the doors are open, we know how to move from there on.

MR. GUSHUE : I think you mentioned in your brief the part that government is playing in research, didn't you?

MR. HYLAND : Yes.

MR. GUSHUE : And that you feel is a government function very largely?

MR. HYLAND : Yes, basic biological research and certain technological research in processing fields. There is, I think, an increased, particularly with the larger companies, an increased interest in their own research programs but that covers only the field of the utilization in the processing.

MR. GUSHUE : Going back for a moment to

the domestic consumption, is the industry active in creating, promoting greater consumption of fish?

MR. HYLAND : In my opinion not as active as it could be or should be in industry. There are exceptions, some of the larger companies are and have been for years actively spending substantial amounts of money on promotion and sale of their own branded products. But there is another field of sale promotion which I feel is best undertaken by the industry and it possibly could be described as creating a consumer atmosphere which is favourable to the use of seafood products. I believe more could be done in that field, and I am pleased to report that the Fisheries Council has taken the leadership and this past year has been successful in organizing the first industrial promotion program, it is on a modest basis admittedly but it is a start and consists in publicity material released through our daily press and radio stations suggesting to housewives, the consumers, the use of seafood products, and it is that type of work which I think is important.

MR. GUSHUE : And promoting Canadian fish rather than the fish of any one producer, I take it?

MR. HYLAND : Yes, that is the whole idea. It is a no-brand campaign.

MR. GUSHUE : On page 26 you make reference to the possibility of the supply of raw material being increased if commercial uses can be found for certain products of the fisheries at present not being utilized. Have you any particular products in mind for that?

MR. HYLAND : Yes. I think we could

refer once again to our West coast industry where we have at the present time a large basic population or abundance of the fish which we call gray fish or dog fish. At one time it was fished quite extensively for the vitamin content of livers.

MR. GUSHUE : That was up to and during the War, wasn't it?

MR. HYLAND : But research on the synthetic vitamins disclosed eventually a cheaper source of vitamin A and the dog fish liver became of little value if any. The basic stocks would come back quickly once the fishing odor was removed and presently we are doing on the West coast experimental work to find some answer from the dog fish. We do not believe it has any future as an edible fish but it can be converted into oil meal and fish soluble products. That is an example, do you know of any other?

MR. O'BRIEN : In the East coast such as eels, squids.

MR. GUSHUE : You mentioned that. I am rather surprised at that, as a possibility of standing greater intensity of fishing in eels, squids and silver hake things of that kind.

MR. O'BRIEN : I guess we were looking for a few examples, Dr. Gushue.

MR. MORROW : I would not be very enthusiastic.

MR. GUSHUE : I see Senator Pratt there. I don't know whether he would like to express a view on that or not.

HON. MR. PRATT : Go ahead.

MR. GUSHUE : On page 34 you suggest a revision of the Canada-British West Indies Trade agreement, following the remark that the export of fish to this area is on an insecure basis. Along what lines would you like to see the agreement re-negotiated? You are familiar with the background of that?

MR. O'BRIEN : Mr. Chairman, the thought here is that the agreement as presently constituted is favourable to the Commonwealth countries in that area which take about one-third of the imports of dried fish and the Act is unfavourable on the attempts of the other countries in that area, to export products to those countries, and yet those other countries import two-thirds of the dried fish. So that from the standpoint of the fishing industry we would like to see the agreement re-negotiated so that it would give the non-Commonwealth countries of that area a better opportunity of fostering trade with Canada.

MR. GUSHUE : On the same page you remark that the industry finds encouragement in the progress made through G.A.T.T. and the partial resumption of trade with the United Kingdom and other members of the Commonwealth. What types of fish are going to the United Kingdom and other members of the Commonwealth? I know there are some Pacific salmon.

MR. HYLAND : Yes, I think that is the principal item of trade and Mr. O'Brien advises me there is some resumption of trade in salmon from New Brunswick. But the West coast salmon industry has

enjoyed a better demand, at least an easier access to the United Kingdom market in the last few years. New Zealand has removed completely the restrictions on the import of Canadian salmon. Australia which was denied to us as a market for many years is now importing canned salmon on a partial basis only and the same situation applies to South Africa. The G.A.T.T. provisions have brought about some stability in the tariff structure to such markets as the Netherlands, Belgium, France, Italy.

MR. GUSHUE : The big market, as you say, of course, is the United States.

MR. HYLAND : That is for fresh and frozen fish, yes.

MR. GUSHUE : And it takes the greater proportion of the value of the exports, doesn't it?

MR. HYLAND : Yes, approximately 70 per cent.

MR. O'BRIEN : Perhaps if we put it in this way, it is more striking, United States markets take 50 per cent of the total production of our fisheries on a market value basis.

MR. GUSHUE : And I gather there is a feeling of insecurity because of the running fight of the New England producers for higher tariffs against imported fish.

MR. HYLAND : That is true. That applies specifically to the producers of ground fillets, that is the grouping of cod, haddock and rose fish.

MR. GUSHUE : The U.S. tariff is very much as it is in other things, low on what might be

called primary products and on an ascending scale according to the measure of processing, is it?

MR. HYLAND : That is correct. There are some striking examples of that point in the marketing of ground fish. The duty for instance in the case of fish sticks, the new product introduced in the industry within the last three years, the duty on the raw product, that is the blocks from which the fish are manufactured -- Canada supplies most of them now to the United States -- the duty on that form is, runs from 1-7/8ths cents a pound to a maximum of 2½ cents per pound, whereas on the completed product it is 30 per cent, which very definitely makes Canada a supplier only of the raw material. The differentials in the case of salmon are so great that our government has had to impose an export embargo on one or two of our particular species and see it is fostered in Canada and didn't get drained away.

MR. GUSHUE : The fishermen would send over the raw salmon?

MR. HYLAND : Yes. In the case of the pink salmon, for instance, on which there^{is} an embargo, the duty on sufficient raw salmon to can a case of salmon in Puget Sound, which is just across, as you know, very close to our waters, is now 40 cents but if we can it in Canada and ship it into United States the duty is \$2.78 on current values.

MR. GUSHUE : Does the industry hope that they will be able to broaden markets particularly in the fresh and frozen fish and get away from this reliance on one market?

MR. HYLAND : There is not very much encouragement in that field. Actually the producers of fresh and frozen fish in Canada look to a continental market. The characteristics of fresh and frozen fish are such that they are limited in their marketing area. It is true that the freezing, the development of methods of freezing have expanded the market, but it is still basically a continental market. During the War years there used to be a frozen fish export business to the United Kingdom. They used to buy I know salmon and halibut from British Columbia, and I know they also bought salmon from the Atlantic provinces, but with their dollar shortage, there is no shortage of fresh and frozen fish in the United Kingdom, and that is one item which they had to restrict completely. I do not think that we could yet claim there was any great, large potential in the off shore movement of fresh and frozen fish. Do you agree with me, Mr. O'Brien?

MR. O'BRIEN : Yes.

MR. GUSHUE : I take it that would be because the frozen packaged fish is a material that is saleable generally in areas which have high living standards and so on.

MR. HYLAND : Yes. And Europe would appear to be the most logical market, but most of the European countries have large and well developed fishing fleets of their own, and they are taking exactly the same types of fish as we are from our Atlantic provinces.

MR. GUSHUE : So the future as far as the industry sees it for this part of the industry is

really increasing consumption in Canada.

MR. HYLAND : And United States.

MR. GUSHUE : And also United States.

Do you hope for increased consumption in the U.S. market?

MR. HYLAND : Yes. As a matter of fact the principal exporters and operators to the United States participate in market development in that country as well as our own. We feel if we are going to look to that market for a sizeable outlet for production that we should make some contribution to building that market. So we do co-operate with producers and distributors in United States and make contribution to an industry fund to build that market. Often individual packers do their own promotional and sales work in that country.

MR. GUSHUE : Do you feel that Canadian producers are holding their own with regard to techniques and sales methods, in the attractiveness of their packages and so on, with the United States producers?

MR. HYLAND : Well, judging from the reaction of the New England States we appear to be doing too well.

MR. GUSHUE : That is a pretty good answer. You don't think you are doing too well, I hope, do you?

MR. HYLAND : No, we don't think so.

MR. GUSHUE : I think you mentioned -- you did mention the fishing efforts that certain European countries are making, and I think also in the course of your brief you made reference to some of the aids to fishers of these countries which are given by governments.

MR. HYLAND : Yes.

MR. GUSHUE : That makes competition on the part of Canada very difficult.

MR. HYLAND : Yes.

MR. GUSHUE : Is there any feeling that on the Atlantic, northwest Atlantic, perhaps the fishermen of other countries who come there to fish get some preferential treatment against Canadian fishermen from governments?

MR. HYLAND : I am not completely familiar with all of the details of international arrangements of other countries. We do know in the case of the Portugese fleet which has been coming to the Grand Banks for, I believe, 400 years --

MR. GUSHUE : 500 years they tell me.

MR. HYLAND : 500, is it?

MR. GUSHUE : Yes.

MR. HYLAND : They have enjoyed, I believe, a very great deal of co-operation from their Portugese Government in the form of services, also Canada affords them hospitality and port privileges, bait privileges. I don't know whether they receive any privileges that are denied to our Canadian fishermen or not. We do refer, we know that in the case of such countries as Iceland which has bascially a fishing economy, that the government has extended certain advantages to that fishing fleet which enables them to compete very effectively in markets where we are both attempting to exploit. I may say though that Iceland is placing less reliance on the U.S. market than two or three years ago, they

would have appeared to have diverted at least temporarily their marketing efforts towards Europe.

MR. GUSHUE : You have not had any complaint from the East coast industry to the effect that foreign vessels which come into Canadian ports can get certain things cheaper than the Canadian producer, such as fuel and so on.

MR. HYLAND : No sir.

MR. O'BRIEN : We have never had such complaint, Dr. Gushue, no.

MR. GUSHUE : That is interesting. You mentioned the West coast salmon rivers and made the point that any development for power purposes ought to go hand in hand with protection of the fish population, salmon populations. Is there a similar problem on the East coast?

MR. HYLAND : You mean where a development of fisheries would come into conflict with Hydro-Electric development or other industries?

MR. GUSHUE : The rivers, yes, the development of power, Hydro, interfere with salmon population and that kind of thing.

MR. HYLAND : Not to my knowledge. Have you heard of any?

MR. O'BRIEN : It is possible actually. It is possible that could happen on some streams that are being used in the Atlantic provinces for salmon possibly if power was put in. But as you appreciate the Atlantic salmon industry is a very small industry, it is only a five million pound approximately industry,

and it does not assume the same importance. I think that is probably the reason why we have not checked the matter as closely as it has been in other places.

MR. GUSHUE : Well, it is not of such proportions as the Pacific. Is the Saint John river a salmon river, do you know?

MR. O'BRIEN : Saint John harbour.

MR. GUSHUE : There is some talk of developing power in that river, isn't there?

MR. O'BRIEN : Yes, they get quite a fair quantity of salmon right in Saint John harbour.

MR. GUSHUE : They claim they live there all the year round, they don't go anywhere else. You can't get them as good anywhere else.

MR. O'BRIEN : That is right.

MR. GUSHUE : I think I just have one more question. You say:

"Lack of dollars in countries which once were important buyers of Canadian fish, such as the United Kingdom, Australia and Brazil, has severely curtailed shipments."

There are other countries of course which are possibly more important than these where lack of dollars is felt.

MR. HYLAND : There is especially -- that has reference particularly to canned salmon. At one time Australia and New Zealand together took as much as 20 per cent of the total British Columbia canned salmon production, a very healthy export market.

MR. GUSHUE : I am thinking of --

MR. HYLAND : But there are other -- the reference to Brazil applies of course entirely to dried salmon.

MR. GUSHUE : There are other countries such as Portugal, Spain and Italy which I think would be even more important.

MR. HYLAND : Yes, Italy of course has bought both canned salmon and dried salt fish from Canada each year on a bilateral trade agreement.

MR. GUSHUE : Not nearly as much as they used to?

MR. HYLAND : No.

MR. GUSHUE : When currencies were convertible. This final question: I think it could be said that the Canadian fishing industry through the Fisheries Council works very closely with government, the Department of Fisheries.

MR. HYLAND : That is true.

MR. GUSHUE : Perhaps more closely than any other industry with a similar department. There is a very close and happy liaison with government, I think.

MR. HYLAND : Yes, I would say so. That is one of the principal objectives in forming the Council. We recognized how much we were dependant upon Federal government services in the operation of our industry and as I have mentioned before, the perpetuation and management of our supplies. And that is why the industry, the Council was formed and located in Ottawa where it could work closely with the Department. And the Department have advised us on several occasions

that they regarded the availability of the Council here as being a great asset to them because they could get a cross section or get as it were the official industry reaction to any proposals which they had in mind, and it has provided a very effective and important link between the commercial part of the industry and government.

MR. GUSHUE : I suppose you are too modest to say you are a model for other industries.

MR. HYLAND : Well, I would hope we have established a good relationship and a good working atmosphere.

MR. GRAUER : The Great Lakes is quite an important fishing area and there are certain problems there such as the deprivations of the lamprey. I believe it is under the jurisdiction of the Provincial Governments. Has the Council got any views as to whether the development of the Great Lakes could better be handled at the Federal level or the Provincial level?

MR. HYLAND : Well, Mr. Grauer, the Federal Government has recently entered into an international agreement on the Great Lakes fisheries with the United States. It is I believe the most recent fishery to come under international regulation. I think, Mr. O'Brien, in order to effect whatever provincial rights there are, or to what extent the province are participating, I think they would release those to the Federal Government --

MR. O'BRIEN : Well, no, it is not exactly releasing but it is a joint effort for the future between the Province and the Federal Government

in co-operation with the seven or so States affected in the United States.

MR. GRAUER : Yes, I am aware of that, and that is practically the reason for my question. Do you have any views as to whether this joint action will work out or would it be better to have it entirely under the Federal jurisdiction seeing there is obviously the international problem there?

MR. O'BRIEN : It is rather a delicate question, Mr. Grauer, to answer. I don't think we would want to give an expression of opinion as to whether we thought it would be better under provincial or under federal. It has been under provincial for many, many years and will always remain under provincial jurisdiction. But they have this set-up and the new Great Lakes Commission will be quite effective and should make headway in solving some of the serious problems.

MR. GRAUER : That is probably the better way to phrase the question. From the point of view of tackling the problems do you think they can be done effectively?

MR. O'BRIEN : Yes, we do definitely and tied in with the federal effort, all the effort or the official resources in Canada which can be brought to bear on this problem to a great extent as the result of this arrangement, just as has been the result in the past.

MR. GRAUER : Mr. Gushue draws my attention to page 21 here where you say:

"In other words, as a protection to

"the shipbuilding industry, the Department can refuse permission to import a vessel into Canada."

The question is does it in fact refuse such permission?

MR. O'BRIEN : Yes, quite often.

MR. GRAUER : Your reference to the three mile, 12 mile problem, why does the present rule exist?

MR. HYLAND : Mr. Morrow I think is quite familiar with this. I believe it had its origin many years ago but I think it arose originally out of a controversy between the larger vessels in the trawl type and the inshore fishermen and I believe it was a stipulation of issuance of the trawl licenses that they would restrict them to an area 12 miles off shore. But situations have changed. I believe the dividing point now is vessels under 65 feet may fish up to the three mile limit but the intention was that that area would be reserved as it were for vessels with limited mobility who could not range very far afield to take fish. But there have been great changes in the vessels and vessels now of 65 feet, for instance, almost all or many of them can go as far as the larger vessels and fish the more distant banks. But it appears there is a very definite discrimination at the present time.

MR. GRAUER : Has this been put up to the Federal Government?

MR. HYLAND : Yes.

MR. GRAUER : And they apparently have reasons for not granting it. There is no ancillary industry now, is there, that they are worried about?

MR. HYLAND : Well, it is very difficult to follow their reasoning.

MR. O'BRIEN : Mr. Chairman, perhaps if I might just add, it has been placed before the Federal Government and we have not actually received a refusal to act on this proposal of ours, but it has been pointed out by the Department that it means a change in the Fisheries Act and the present assurance from the Minister is that when the Fisheries Act comes before the House of Commons for revision that this will be one of the matters to be discussed.

MR. GUSHUE : It is a very serious difference, the state of affairs, isn't it? On the Atlantic coast the three mile applies to Newfoundland and Labrador, the 12 mile for Canadian vessels, 3 miles for American vessels on the coast of Nova Scotia, and then on the Pacific coast the three mile rule applies.

THE CHAIRMAN : I am very ignorant about these things, but was it put in to assist the rum runners in the prohibition days?

MR. GUSHUE : It started with the rum runners.

MR. O'BRIEN : When this 12 mile limit was virtually set down as a part of the policy of the trawler license, I think there were actually three out trawlers fishing on all the Atlantic coasts of Canada. There may have been five licenses issued at the time but there were only actually three as I remember, three outer trawlers fishing at this time.

MR. GUSHUE : The fishermen had more

boats than the owners.

MR. O'BRIEN : It is a very long story. The controversy was very hot between the line fishers and the outer trawlers and of course now the greater part of the off shore catch are caught by the outer trawlers either under 65 feet or over 65 feet.

MR. HYLAND : I believe this situation occasionally brings about almost humiliating instances where foreign vessels fishing in between the three mile and the twelve mile limit and within which Canadians should we think be permitted to fish, will get in touch with the Canadian patrol boats and tell them to get them out. That is an insult.

MR. GRAUER : Dealing with the potential of the fishing industry, and dealing more particularly with the West coast because it is the only one I know anything about, do you think you have this situation where there are lots of small boats fishing around the mouths of our various rivers, taking the Fraser River for example, the sea is just black with them and the entrance into the river, then you have the American boats, some Canadian now, fishing with big, well equipped boats, relatively small labor force attached to the Columbia fleet; is this the most efficient way of catching fish? I am talking purely from the point of view of efficiency now on the West coast.

MR. HYLAND : No, Mr. Grauer, I am sure there are more efficient ways. We used to have them. I refer to fish traps. I mean the Fraser River particularly could be I think very efficiently equipped

to take fish in traps. You could regulate it very exactly but of course that is --

MR. GRAUER : You run into the labor element then?

MR. HYLAND : Yes.

MR. GRAUER : There is quite a large potential for improved efficiency there. One hears every once in a while that the price of canned salmon is getting pretty high -- I don't say that in the sense I believe in it -- but there would be quite an area there for lowering the unit costs, so to speak, if it were not for the labor situation that has to be apparently taken into account there. That is the situation, is it?

MR. HYLAND : Yes. We have developed in British Columbia, our salmon fishing gear has been developed to a very efficient degree. In fact the Chairman of the International Salmon Commission, at least the Director, is now on record as saying that his job of management of the fishery is being made more difficult due to the very high efficiency of the gear. I believe last year he said that at one time the gear in the water was capable -- was 97 per cent efficient. And therefore it was becoming increasingly difficult for him to provide adequate spawning and escapement as far as the cost of our products go, because of which I would say that is as much a result of the demand which is focused on it as anything else. In other words the supply admittedly is limited and the other large producing countries of the world, the United States, which produces in Alaska, their fishery has been dwindling to

a very serious point. In British Columbia we have maintained, our methods of conservation and management have been more effective evidently than they have been in Alaska and our pack has been maintained while theirs has dropped. The large production from the Kamchatka and Siberia fisheries which used to be available to the world markets, are now available only to a limited degree and just the same as the Japanese mid-ocean fishery, so as it were the world demand for red salmon is focused more and more on the Canadian trade.

MR. GRAUER : There was no fish in this recent trade agreement I take it with Russia, the one that was just recently made?

MR. HYLAND : No, they don't send us any fish.

MR. O'BRIEN : They are buying large quantities of fish outside of Russia, Iceland.

MR. GRAUER : Well, they are buying fish and they are buying wheat. The world changes, doesn't it?

MR. O'BRIEN : This matter of traps, perhaps I might say, it should be added so it is quite clear, the position of the industry in this matter, it is a government regulation. I mean you no doubt know the government will not issue trap licenses beyond the few which have been issued previously in Vancouver Island.

MR. GRAUER : Just five I think.

MR. O'BRIEN : Just five. You cannot get a license to use a trap.

THE CHAIRMAN : In other industries we

have heard from time to time during the course of our hearings how desirable it would be if it were possible to do further processing of Canadian materials in this country and I was interested in what you said about an embargo that was placed on the export of, what was it, fresh salmon?

MR. HYLAND : Yes, fresh or --

THE CHAIRMAN : Does that embargo still obtain?

MR. HYLAND : Yes.

THE CHAIRMAN : Does it mean that no fresh salmon can be exported to the United States?

MR. HYLAND : No, fresh sockeye salmon or fresh pink salmon, just those two species, which are very important for canners and our plants in the lower mainland of British Columbia are very close to the canners on Puget Sound in the State of Washington and in the case of another one of our species, chum salmon, it is a canning species, and it does not abound in the United States, I understand, we have to compete during the big purchasing seasons with U.S. buyers of the raw product.

THE CHAIRMAN : How long has this been in effect? For some time?

MR. HYLAND : Oh yes, as long as I can remember.

THE CHAIRMAN : There is no objection to it?

MR. HYLAND : There is from time to time but I think it is realized that it is in the long term interest of the industry to retain it.

THE CHAIRMAN : I see. It is a strange form of protection that I had not heard about and I suppose it is protection of a sort?

MR. HYLAND : Well, I believe it is applied to another one of our raw products, I believe our logs, for instance, it is necessary to get export permits, for instance, to export logs. I don't know whether there is a real principle issue or not, but there is a measure of control.

MR. GRAUER : There is no scope for that in other types of fish? You were referring to the block export of fish sticks, probably the supplies of fish are such that it would not work there.

MR. HYLAND : Yes, it depends on the relative market costs.

MR. GRAUER : And on the demand for the finished product?

MR. HYLAND : Yes.

THE CHAIRMAN : Well, thank you very much indeed. This has been a very interesting submission and we are very thankful to all of you.

-- Recess

-- After recess

THE CHAIRMAN : I think we might come to order. The next submission is from the Co-operative Union of Canada, which we will mark Exhibit 235. If you would care to begin, I think you might introduce your colleagues who are here with you.

MR. STAPLES : Thank you, sir. My name is Ralph Staples, I am the President of the Co-operative

Union of Canada; on my right is Mr. Leo Berube, the Secretary of Le Conseil Canadien de la Co-operation, and Mr. Marius Poitras from Vernon, Ontario, a Director of the Union and Mr. Breen Melvin, National Secretary of the Co-operative Union of Canada.

I would like to say on behalf of the two national organizations that we do appreciate this opportunity of appearing before the Royal Commission. The co-operative movement in Canada as represented by these two parallel organizations is a vital factor in Canada's social and economic development.

We are glad that the Commission didn't get entirely lost in the fogs of Newfoundland and we hope you don't get lost in fogs of any kind and we don't think you will.

THE CHAIRMAN : I hope you mention the fogs of some other provinces too.

MR. STAPLES : We hope that your report will go far to dispelling some of the fog that exists with respect to the co-operative movement. We seem to be continuously misunderstood by some of the other elements in the economy.

The task of preparing a brief has been quite complicated by the fact that our two organizations represent all types literally, I think, of co-operative enterprise. The Canadian co-operative movement must be almost unique in the extent to which it does represent all branches of the co-operative endeavour. There are few other countries where that is the case. Whether they are producer, consumer, rural, urban, farm, factory,

they are all represented in the membership at some point of these two organizations, not all co-operatives, but all types of co-operatives. It is difficult then to make any statement which will apply properly to all the types.

Now, we think we knew what we were talking about at each point in the brief, but if in our anxiety to save words, it is not clear what branch of the movement we are driving at, I hope that lack of clarity will be cleared away by questions and answers before we are through.

It is not my purpose, Mr. Chairman, to read the brief at all. I should however like to go through it and make some elaborations of some of the sections if that is satisfactory to you. I hope that my colleagues feel free to provide some emphasis on any point that they desire to do it. And I should like at the end if Mr. Berube representing Le Conseil Canadien could say a word to make certain that in total our representation does in fact represent the views of the two organizations.

Perhaps we might emphasize at the middle of the first page the definition we have of co-operation. It is not easy to define a co-operative but this is the best definition we happen to have in mind at the moment.

"A co-operative enterprise is one which belongs to the people who use its services, the control of which rests equally with all the members, and the gains of which are distributed to the

"members in proportion to the use that they make of its services."

Now, in practice of course co-operatives follow well established principles. One member one vote; limited interest on capital; surplus distributed in proportion with patronage and open membership, are the four cardinal principles and then from there on methods vary somewhat.

At the middle of page 2 a short paragraph, paragraph 7, which is significant only perhaps from the standpoint of history. If the co-operative movement in Canada has one single root historically it would be in this area of the marketing of primary products, agricultural products and products of the fishery. That is where the foot is the shoe pinches first perhaps, and that is really the area in which the co-operative movement in Canada had its origin, if it can be said to have its origin in one area.

Part 2, the extent of the co-operative movement, we refrain from including in this brief extensive statistics in the hope that we could file with the Commission along with the brief if possible, if not then today, the most complete statistics that exist, that is the report of the economics division of the marketing service of the Canada Department of Agriculture, which is entitled "Co-operation in Canada". That report unfortunately has not yet been printed. We are assured it will be available next week, a few days too late for this hearing. I have here only one typewritten copy so that we are in a position to answer questions with

respect to the size of the movement but unfortunately we are not in a position to distribute it today.

Whereas one or two figures I had picked out of this on page 3, the size of the membership -- in paragraph 11 -- this is for 1954, 1,366,000 memberships in co-operatives, and if you skip down to paragraph 14 you find that an additional 1,393,000 people are found in the membership of Credit Unions and Caisse Populaire in Canada. I think it is not necessary to read that, Mr. Chairman. The co-operative movement is substantial in its extent.

On page 4 I should like to refer to paragraph 17. We use the term there private profits enterprise in some parts of the brief. We have found the term private enterprise terminology is always a problem. The co-operative movement is from many standards quite solidly in the private enterprise sector of the economy in the sense it is not government enterprise in any sense of the word, but in order to distinguish a co-operative from a private business we have used the term "private enterprise". I know we will be misunderstood in some quarters but after a great deal of thought we decided that was the best term to use.

On page 5, perhaps just a word where we mention some of the newer elements in the movement, the co-operative insurance companies, the several hundred Mutual Fire Insurance Companies, many of them perhaps the oldest type of co-operative in Canada, but these have been supplemented more recently by co-operatives in life insurance, fire and casualty, health insurance and so on. We think that the dominant control in

terms of one member one vote which we do our best to make effective in those companies is extremely important from the standpoint of Canada as a whole. Insurance companies of course set up huge reserves, that is a necessary part of their operation, sometimes they don't prove to be any too big but for investment purposes those reserves do belong clearly enough to the policy holders or shareholders depending on the type of premium. For investment purposes they are really in the hands of a very few men and we think there are advantages in placing a larger segment of the population in control of those investment policies than is sometimes the case.

On page 6, paragraph 28, I should like to read from this report I mentioned of the Economic Division just one paragraph which perhaps follows on from paragraph 28 in this international area. It says here: "As the International Co-operative Alliance" -- which is the international body to which we belong, headquarters in England --

"has pledged its support to the principle of making co-operatives a central force in the development of the economies of the less developed countries of Asia, Africa, Latin America and the Pacific Islands, particular interest by foreign countries in Canadian co-operatives has been evident. Since July 31, 1953, fellows from Egypt, Jamaica, Pakistan, Burma and Indonesia have trained in Canada for periods of four to nine months, under the auspices of the Colombo Plan and the F.A.O. With the generous assistance of co-operative leaders across Canada, these trainees have studied co-operation primarily and also problems dealing with marketing and co-operative and agricultural credit."

I mention that only to indicate, Mr. Chairman, that the co-operative movement in Canada is becoming more and more widely known around the world and it is in some respects regarded as a model for the people of other countries who are studying the direction that their economy might take in the future.

On Part 3, this part though running to several paragraphs, is very greatly summarized already. I suggest that if the Commission is interested in further information along this line that they might turn to one of their predecessors, the Royal Commission on Co-operatives and I have here one of the volumes in connection with the report of the Commission, 1945, that gives an outline of the argument on behalf of certain co-operative Associations and it reviews in summary form with reference to page and number a good deal of the information that was provided in this particular area. The pages would be pages 65 to 70 in this entitled Evidence of General Benefits in the Public Interest. We had this in mind when we left out a lot of material that might have been put in here.

For instance, just to mention one small point, I had occasion recently to study some of the history of one co-operative organization in Canada, the Sherwood Co-operative of Regina, that went into the purchase, local purchasing co-operative in Canada, and through the years of the depression for some ten years beginning in the early 30's Sherwood Co-operative returned to farmer members 16 per cent of their fuel bills, tractor fuel, in those years when that was a very

important item of expense in agriculture.

On page 7 we use in paragraph 32 the word pace-setters and we have picked out two or three examples of that which I am not going to read. I would like to suggest that co-operatives have often pioneered in fields of service and for one particular striking example we might look at the United States and the development of the rural electrification system. It seems incredible but 20 years ago in the U.S.A. after the cities had enjoyed electricity I believe for 40 or 50 years, only 11 per cent of United States farms had electricity and today only 20 years later 92 per cent are electrified, that is some four million farms. Now, farmers realized they were never going to get electricity if they waited for privately owned utilities serving them on a profit basis, and they did what free people should always do, that is, they organized service for themselves through co-operative enterprises and the result has been very gratifying.

The Cuna Mutual Insurance Society which is mentioned towards the bottom of paragraph 32 is an excellent example of a program designed to meet a need. That is only twenty years of age. They have more than two billion dollars of insurance in force and last year in one year, the insurance in force increased by more than half a billion. Cuna Mutual Insurance Society serves the Credit Unions of Canada and United States.

On page 8 I should like to emphasize the thought expressed in such brief terms in paragraph 34. There are lots of places one could elaborate on, but we

are only trying to pick out a few as we go along. The co-operative movement exists in the environment of what we describe as private business and it must in many cases take cognizance of that and adjust its operations to the environment to some extent, but we do feel that co-operatives, purchasing co-operatives for example, are a little less likely to undertake wasteful merchandising practices than private business and a co-operative can take a little more clear view of the needs of its members since it is what it is set up to do.

Now, our attention recently was drawn to an example of this sort of thing, I took this out of Time magazine, it is my opinion that it does not have the reputation of being unsympathetic to private profit enterprise. I would like to read a few sentences of it. It deals with trading stamps, the food stamp plan:

"In their race for the consumer's dollar United States retailers have turned the old trading stamp gimmick into the hottest sales idea of the post-war decade. By playing on the housewife's weakness for give-aways, supermarkets and department stores have rung up astonishing records at the cash register. But the stamp plan's biggest foe, giant Safeway, calls it nothing but a shell game to distract the consumer from that fact that she is paying higher prices. While merchants argue among themselves, United States housewives seem in solid agreement that stamps are just dandy.

The Stanford Research Institute conducted a study of the Denver area and found that almost two out of every three shoppers believed that the stamps meant they were getting something for nothing. To cover the cost of the plan, from two to three per cent of the yearly gross, a retailer must boost sales an average of about 20 per cent. For the merchant who is first in his neighbourhood with

"stamps this is usually easy, but as each of his competitors buys a rival stamp plan in self-defence, the advantage wears off. Then the old standards of price and quality return and the merchants are right back where they started, except that they are stuck with paying for the stamps. When one Albuquerque, New Mexico, store decided to drop its stamp plan it lost 80 per cent of its business in two weeks.

No matter how painless stamp plans may appear it is still the customer who eventually pays. Though most retailers publicly deny that they raise prices to cover the extra cost, the price of the stamp ultimately finds its way into the store's mark-up. In the study of Western retailers, the University of New Mexico Bureau of Business Research discovered that most raised prices by about four per cent to make sure that all extra expenses would be taken care of. Thus if a shopper filled four books of stamps by buying \$4.80 worth of groceries and won a \$1.30 chafing dish, she would get nothing free. She would pay about \$20 in inflated mark-up."

Now, I should like to say that I commend the retail merchants in this area for their apparent resistance to the stamp plan. They are trying to substitute for it. I suggest that organizations directly and clearly under the control of the consumer are likely those who have greater resistance to that kind of thing. I am not prepared to state they may not be forced into it some day but they are more likely to enter it with reluctance I think than organizations in business solely and entirely for the money to be made.

On page 8, paragraph 35, we refer to Dr. Galbraith's evidence before the Commission where he said that the problems of human development are far more important than those of resource development. I think the summary in the paper we noticed was human

development suggested as Canada's big problem. Now, if that is the burden of Dr. Galbraith's evidence we respectfully suggest that the Commission read it again, because that is right along our alley.

On page 9, the last part of paragraph 37. What is common to all good co-operatives everywhere is the ability which, over a period of time, the members have acquired in operating successfully as a group. This is really the basic requirement for successful democracy and it would be difficult to over-emphasize the importance.

I could add there it is interesting to observe a true understanding of group action seizing hold of the people in a community as they gain confidence in group effort, man is a social being and he can take great satisfaction from the knowledge that in this particular venture he is not alone.

We could, at great length of course, quote leading statements, philosophers, sociologists and religious leaders in support of the co-operative movement. There is one interesting quotation -- we cut it down to one -- this has been in the record for nearly 50 years. It is part of the evidence of a Special Committee of the House of Commons in 1907 sitting to consider the introduction of a Federal Co-operative Act and the witness was the young Deputy Minister of Labor, the late W. L. Mackenzie King. On that occasion Mr. King said:

"Leading economists of today both in England and United States, men who have not at heart the interests of one

"class of society as against the other, but who look impartially upon economic affairs, are I think pretty well one in the favour with which they view the co-operative movement as a movement exceptionally beneficial from the standpoint of the view of educating the mass of the people to improve their own conditions, and from the point of view of the general betterment and welfare of the people of the country."

Incidentally in years later on, we worked with Mr. King trying to have enacted Federal co-operative legislation, but never succeeded. We are not quite sure why in the light of quotations like that.

I am not sure that our point is entirely clear on page 10 at paragraph 41. We are emphasizing the importance of patronage dividends in distributing purchasing power to those people who are most likely to use it. The idea there is it tends to be professional and salaried people who own stock in private businesses and it tends to be farmers and workers who desire co-operatives to serve themselves. That is a broad generalization but the tendency is in that direction.

No comment on page 11.

In paragraph 41, the last sentence seems a very important one. The co-operative movement includes all regions and elements and it is of its very nature a powerful influence in the direction of understanding and unity. The presence of the two national

organization before you today, sir, representing the far flung co-operative movement in this country is certainly evidence of that.

MR. STEWART : Which paragraph is that?

MR. STAPLES : 47, I am sorry. When one of our colleagues read paragraph 50 where we say, in the first sentence:

"From a sociological standpoint a situation would be highly desirable in which every Canadian family would have ready access to a co-operative of a type which would provide an essential service and at the same time permit full membership participation."

He said "Where do you see evidence of that?" It seemed like a fairly broad statement to him. I think we can see evidence of that in the northern European countries which to my mind are politically more mature perhaps than any other part of the world and where at the same time the co-operative movement from the standpoint of the consumer at least is better developed than in any other part of the world. I think those two things go together perhaps. I am not sure which is cause and effect but they appear to be directly developments of a very widespread nature.

On the top of page 13 we talk about the number of members in the movement, Credit Unions and Co-operatives. We tried to obtain figures to show the number of shareholders in private enterprises in Canada and we could not obtain such figures. Even the

Dominion Bureau of Statistics assured us that such figures are not available. They said however the number is not large. Shares in private industry are held by a fairly small group relatively speaking. I have heard it said by people who should know that in United States the members of co-operatives out number the shareholders in private enterprise by three to one. I should think the situation in Canada might not be very different from that but we don't know for sure.

In paragraph 53 there is just one point we would like to pick out of scores that might be emphasized where we mention the provision of medical and dental services at the middle of the paragraph as one area in which co-operatives might well be developed. This is an item of very current interest in Canada at the present time.

It is not so long ago that the family doctor was supreme in the household. His counsel and help were sought in all matters medical. But the field of medicine is now so vast that no one man or two or three men for that matter can adequately cover it, and the family doctor has really become a signpost that just points people on the way to some specialist or other.

Through competitive medicine as at present practiced, it is very difficult to provide comprehensive diagnostic and curative treatment. I realize that a layman like myself is usually considered out of his depth in this subject so I would like to let a doctor speak for me.

The following are extracts from a speech

made by Richard C. Cabot, M.D., at the beginning of Group Health Association in Washington, D.C. Dr. Cabot was Professor of Clinical Medicine and Social Ethics at Harvard University, and he had this to say:

"I have known by personal experience all kinds of doctoring from pretty bad to fairly good. I have been a general practitioner in the country and in the city. I have served on a hospital staff thirty-six years and taught medicine for forty years. Through the chance of teaching medicine especially to graduates I have seen something of the average skill of the better type of physician. I can see what physicians can do, how well and how badly. I have seen the care taken of patients sent into a great hospital. I have seen from many autopsies how far we were from knowing what we were doing. I have tried out the various forms of practice thoroughly and I have been in group medicine, and I can tell you at the outset that from a purely medical point of view, group medicine is 100 times better for the patient and for the doctor than the ordinary usual practice."

Now, it seems to us briefly that the best answer to expanded health services is co-operative organization, that is, groups of doctors working for

the organized consumers of their services, provided of course with the very best equipment, facilities and working conditions.

Page 14 under the heading "Board Solving the Farm Problem", this is the greatest problem, it is pretty difficult to over-emphasize this weak spot in the economy. There is a lot of unrest in the rural community. The farmer is convinced that if he is not already in a depression he is certainly headed in that direction. The Canadian Federation of Agriculture, I understand, is presenting a brief next week and they will no doubt be dealing with this at some length. But as an individual the farmer buys at retail prices from sources over which he has no control and too often he sells his products on the open market at wholesale or less, obtaining a declining percentage of the consumer's dollar for his services.

Now, we are suggesting here that there are four ways in which the co-operative movement could be extended. (a) Co-operative Marketing; (b) Co-Operating Purchasing -- those two are well developed in some areas now -- the Co-operative use of farm machinery, and Co-Operative Farming, which is not developed in Canada as yet, but we suggest there is an area that should have study and investigation applied to it, to see how best it can be organized and just what the results might be.

I should like to say a word with respect to paragraphs 60 and 61 on Housing, the co-operative development in the field of Housing is growing steadily in Canada. It is becoming more widespread, more extensive in this field in Quebec than in any other province. It is not a field that it is easy to organize, but results that can be obtained are very great.

There is a great deal of interest, for instance, in slum clearance in Canada. Now, there is certain reluctance on the part of Canadians, it

appears to me, that is as a layman like myself at least, to enter this field of slum clearance because with the type of housing people in those areas can afford, if it is not heavily subsidized, it eventually degenerates into another slum area and we are no better off than we were before. And we think the co-operative operation can introduce into that set-up the element of interest that arises from ownership or a share of ownership if people are encouraged to construct their own house for themselves on some carefully organized basis. There are at least in three provinces, Quebec, Ontario, Nova Scotia, central provincial organizations ready now to assist groups of people with their problems of constructing their houses and all that is involved in that, a very complicated business it is. And it is not good enough to expect a group of 25 or 30 or 50 people to start from scratch in doing all the pioneering work and doing the work they have no further use for when they are through with it, and some other groups have to start all over again and obtain the same experience, unless there is some central organization which we are attempting to develop and we are developing in some cases to do them all together, so the experience can be cumulative.

We see the benefit of co-op. housing as five in number - six - it is first, through preliminary study the members gain an insight of the factors which must be taken fully into account in acquiring adequate housing.

Second, lower costs, first through the bulk purchasing of materials and second through the use

of owner labour; third through better planning or projecting; third, better relationship between house and income, which is very important. There was evidence presented to the Commission by the Toronto Planning Board, I think it was, if I remember rightly, I only saw the Press report, which presented the number of foreclosures as increasing because there has been a tendency under the National Housing Act for some persons who cease to qualify for assistance of that nature, whose financial position didn't provide for that; and (d) provision of good housing for an income group which could not otherwise afford it. But I think it was Metropolitan Toronto's evidence that said, I think it was, more than two-thirds of the Metro people were not in an income bracket which would permit them to build houses under the National Housing Act.

(e) The social value of doing things together; and (f) a better opportunity for community development.

On page 16, paragraph 63, where we are talking about the possibility of considering the application of the co-operative principle to the problems of wage-earners as such and we have stated that the number of co-op. partnerships of labour is very small in Canada in relation to some other parts of the world.

We listened with great interest to the masterly brief presented by the Trades and Labour Congress and the Canadian Congress of Labour last Monday. We certainly agree that organization can tend, as they said, to convert the worker from a commodity into a human being with status and voice. I suppose it

could be said that labour unions themselves are co-operatives of a sort. Certainly they have many co-operative features. Good working conditions, some measure of job security, reasonable hours, adequate remuneration, health services, pension plans and year round income are worth the struggle. But we respectfully suggest the time will come when even these are not enough. Where does labour go next? Eventually workers will reach the conclusion that it should not be necessary to bargain with an autocratic employer. In this connection we have been impressed by a passage from a book: "Religion and the Rise of Capitalism" by R. H. Tawney. I might say he was Professor of Economic History at the London School of Economics and Political Science. He said:

"The most obvious facts are the most easily forgotten. Both the existing economic order and too many of the projects advanced for reconstructing it break down through their neglect of the truism that, since even quite common men have souls, no increase in material wealth will compensate them for arrangements which insult their self-respect, and impair their freedom. A reasonable estimate of economic organization must allow for the fact that unless industry is to be paralyzed by recurrent revolts on the part of outraged human nature it must satisfy criteria which are not purely economic."

Now, the worker as an individual certainly cannot obtain his full independence any more than the farmer can, as an individual, and eventually (we are free to admit it may take him a long, long time) he will come to the conclusion, the maximum of real independence can only be obtained through application of co-operative principles. As an organized producer or as an organized consumer he must own the facilities on which his life depends.

On page 16 I had intended to read the part or section on the education of members. I shall refrain from doing it. I hear the clock ticking away to the right here. That is a good clock to have, Mr. Chairman, in a place like this.

THE CHAIRMAN : I don't know if we should have a clock at all. Anyway we didn't install it.

MR. STAPLES : I should like to direct the Commission at page 17 to the distinction we establish between co-operative education and co-operative propaganda, that is basic to some of the suggestions we make later in the brief. Co-operative education can be defined as the development of the ability to place confidence in group effort. On the development of this ability all democratic organizations depend. On the other hand, co-operation propaganda might be defined as efforts directed towards gaining support for the co-operative movement as such using methods basically not very different from those used by private enterprise.

On page 18 we refer to the report of the first American Regional Technical meeting on co-operatives held in Mexico City last December under the

auspices of the International Labour organization, and there we quote from that report. At that meeting 17 governments were represented, incidentally I had the privilege of being a part of the Canadian Government delegation and we quote it here for what it is worth to indicate the kind of assistance in the educational field that many people and organizations think that governments might well be expected to provide.

On page 19 where we are dealing with financing, perhaps a comment on paragraph 75 is sufficient. This is basic in the relationship between a co-operative organization and the money it needs. As one of my colleagues said not long ago "It is not the size of the dog that counts, it is the size of the fight in the dog."

Now, that is the basic difference between the financing of co-operatives in our view and an orthodox view of this organization from the standpoint of its balance sheet and so on. If these people intend to make a success of that co-operative, that co-operative will be a success.

Paragraph 79 has very brief reference to some of the projects in the United States which are much more extensive than ours in assisting with the financing of co-operatives. The banks for co-operatives have occasionally as much as \$400,000,000 invested in co-operatives of one purpose and another and the co-operative organization is very rapidly taking over the ownership and control of these institutions.

On page 21, the last sentence in paragraph 80. Co-operatives not only encourage the members

to provide the maximum of financing but the co-operative movement has been giving great attention to methods which would result in the pooling of available funds and the fullest possible use of these funds at the points of greatest need.

I would like to refer to an astounding document that came to our attention not long ago to illustrate the need for co-operative financing, that is financing under the control of the users of the financing. Realizing that few families can always be in the position of having ready cash, co-operators and credit unions hold that the necessary credit can best be supplied by the people themselves through democratic organizations established for that purpose. No clearer statement could be found in support of these viewpoints than evidence presented to the Restrictive Trade Practices Commission in its investigation of loss leader selling. The following extracts are taken from the evidence to the Commission in Vancouver on July 5th, 1954.

The witness is Mr. Melvin Thomson who, in company with Mr. Grant Deachman, was representing the Retail Merchants Association of Canada, British Columbia section I believe. Mr. Thomson said:

"Some of the so-called price cutters -- they reduced price in one form. But they got it back from the time payment men in another form. Frankly, some of us had to resort to the same thing. In other words, you have to make a profit in business; there is no use

"kidding each other as to that. So they reduced the list price and charged the fellow who buys on time a terrifically high finance fee -- much higher than would be normal if the price was a little more fair.

Whichever way, you make a profit. The one misleads the customer -- that you are giving him something cheap. And then you make it up out of the finance fee, and you drive a Cadillac. It is another way of doing the same thing."

The Chairman, Mr. C. Rhodes Smith said:

"Have you definite evidence of big increases in finance charges since this legislation was passed?"

Mr. Thomson said:

"We increased our own about a year ago, for no other reason than to recover some profit that way. We checked with two of the department stores in Vancouver, which had done the same thing within two months, and we brought ourselves up. We brought ours in line with the department stores.

Now, we could still today operate them at a lower cost basis; but it is a hidden profit that the customer does not cry about. Our rates are still lower, by far, than several of these so-called

"price cutters. Even then, we are away under them. And we are charging more than we used to charge in order to recover profit in that manner."

And the Chairman said:

"More than the cost of financing really is."

Mr. Thomson said:

"More than the cost to us is, yes."

Commissioner Favreau:

"Do I take it that, psychologically, it is your experience that the public will look with less favour on a bargain in financing than they will a bargain in apparent pricing?"

And Mr. Thomson said:

"Yes. So that there is this so-called margin to operate on. In other words, if you have to get it back somewhere, so what? The customer is not saving money, although he thinks he is."

And the Chairman said:

"When he pays cash he does."

And Mr. Thomson said:

"If he pays cash, yes. But, then, the man who pays cash is all right anyway. The man you have to protect is the working man who is buying on time, the average Joe, who has less understanding of financial affairs. He does not know anything about it. When you say

"that it is \$30 he says, 'Oh, just \$30?'

The fact that it is 15 per cent does not bother him a bit. Of course, you and I would not pay it; we would borrow it from the bank. Nevertheless he does not think of that, nor can he always borrow from the bank."

Now, if we wished clearer evidence of the need for co-operative enterprise in this whole field of finance, we could not find it from any more authentic source.

We suggest in paragraph 83 that the Government might very seriously consider making additional funds available to the co-operative movement through proper co-operative channels which now exist. I won't take time to go into it. It takes a fairly clear view of the co-operative credit structure which is developing rapidly in Canada and some of the organizations referred to here so briefly are really quite substantial in their operations and size and extent of their experience.

I shall not take any time on the section on Research. We suggest the need for research in methods of financing and methods of effecting operation at cost in a co-operative and marketing co-operatives -- a subject of very great current interest -- methods and types of membership education, social significance of co-operatives and legislation.

This field of legislation is a very intriguing one. We can cite a number of examples of legislation that so far from assisting the

co-operative movement seem to stand in the way. This definitely arises from the fact that the scene changes so severely and rapidly. In paragraph 94 we could become quite indignant and eloquent on that particular point. We have been trying to convince the authorities of the justness of our case for years and years. Our thesis is that it should be possible for a group of people to serve themselves in any line of endeavour at cost if they wish to do so, and Section 75 (3) of the Income Tax Act has the effect of providing in certain lines of endeavour -- in the farm supply business, for instance -- a group of people cannot serve themselves at cost. Section 75 (3) means when there is a surplus of the financing it cannot all be distributed in the form of patronage dividends.

We use also Section 50.

The National Housing Act, Section 16, which we have discussed with Parliamentary Committees and the Government a number of times.

The Farm Improvement Loans Act. We would have had more examples on the Farm Improvement Loans Act, but credit unions are included only when such are lending institutions. We have reason to think that credit unions might be included in the next few weeks or months and so we didn't make mention of it here.

THE CHAIRMAN : Things are getting better.

MR. STAPLES : Things are getting better.

In paragraph 101 we suggest a conference on the subject of legislation representing the co-operative movement, the federal authorities and the provincial authorities, perhaps one of the most practical suggestions we are making

in the brief, Mr. Chairman, and we did feel that because of the divided authority in Canada, because of the changing need from a legislative standpoint, we have had expressions come to our desk only as recently as this morning, to indicate that when these sections of the legislation are being considered, they appear to have no relation to the co-operative movement, they must be drafted very carefully. We think that sort of conference would be of real assistance at this time.

If I had not taken so long I could have read the conclusion but I shall not do so. I hope that Mr. Berube will take a brief time to speak to the Commission to make certain that there are no points overlooked from the standpoint of the Le Conseil Canadien. And if there are any questions we will do our best with them.

THE CHAIRMAN : Thank you very much.

Mr. Berube?

MR. BERUBE (Speaks in French) :

The submission has been prepared by the two national co-operative organizations.

In the co-operative movement in Canada there is a complete understanding between French Canadians and English speaking Canadians.

This is normal, as in the co-operative movement, all decisions are originating from the rank and file.

May I repeat that the submission represents the view of "le conseil Canadien de la Co-operation.

MR. LUSSIER (Speaking in French) : I will

inform my fellow commissioners of the remarks you made in French. I find the co-operative movement extremely interesting.

THE CHAIRMAN : Mr. Staples, I was interested in all the things you had to say but one of the things that struck me very much in your brief, I think you dealt with it in your summary, was the problem which is true as far as the co-operative is concerned, it is, true in every industry, but in obtaining managers for these enterprises as they get bigger, and you mention that, in so far as the co-operatives are concerned it takes more, it takes qualities other than just those which are needed to run an organized business. As a matter of fact I have a partner in my own business who for eight or ten years ran a Farmers' Purchasing Co-operative in the West and he told me that my business is very, very easy compared to what he used to do.

MR. STAPLES : Yes, Mr. Chown.

THE CHAIRMAN : He reminds me every week of the difficulties of your operations, not that they are insurmountable by any means, but that it does require management of a pretty high order. I was also interested in your suggestion that the movement might eventually move into manufacturing concerns of various kinds. Do you think that will be practicable in so far as the more complicated mass production industries are concerned?

MR. STAPLES : I think it is very, very practical, Mr. Chairman, and it is going on to a large extent in other parts of the world, probably too in

Canada to quite an extent. I am not sure what you have in mind when you say the more complicated mass production industries, but the co-operatives are operating feed plants, fertilizer plants, chemical plants, a farm machinery plant, although they are not in the more complicated and heavy lines of machinery. Mr. Berube reminds me that in meat packing, which is a pretty complicated one, though not on the purchasing end, the co-operative movement is extensively involved. It of course requires a concentration of effort, you start with the individual farmer, we will say, who does not need much fertilizer himself but he combines his purchasing power with his neighbours through that locality and the local co-operative combines with a couple of hundred local co-operatives through this wholesale and that wholesale, may combine with others through the Interprovincial Co-operative Limited now and it is perhaps at that level that the manufacture would take place, it might be for the whole of the country, that is the pattern. Now in some lines of business it is a long way ahead of us.

THE CHAIRMAN : Well, I can see that it might be appropriate for a relatively small manufacturing concern whose products were designed to serve the needs of the people in a somewhat restricted area, but when you get into concerns that are producing products for distribution right across the country I would think that it would be more difficult.

MR. STAPLES : Well, I think you are right, it is more difficult, but the co-operative movement extends right across the country and if the product in

question can be manufactured at a central point and shipped economically over that wide an area by co-operatives or otherwise, then I think it is quite possible you might find a co-operative in there.

THE CHAIRMAN : You are not giving me any ammunition I can use against my friend Chown.

MR. STEWART : Mr. Staples, earlier in your submission you refer to a great deal of misunderstanding about the co-operative movement. What are the areas of misunderstanding?

MR. STAPLES : I am afraid I was being charitable, Dr. Stewart. Sometimes we call it opposition rather than misunderstanding. We do have to continuously be on guard to maintain an environment in which co-operatives can move and grow freely. We are under constant attack from elements of private business. Now, we say our word on the other side as well of course. Perhaps we are not as well equipped to say it as we should be. Perhaps we don't carry on as widespread and informational and educational service as we should. But it has been a problem with the co-operative movement since its very early days of course and I suppose it will be a problem as far as we can see into the future.

MR. STEWART : What is the kind of attack that is made? At what points do they attack you?

MR. STAPLES : Well, on the question of Income Tax, for instance. Some organizations representing competitors of co-operatives suggest quite regularly that the clause we referred to as Section 75 (3), that instead of being based, co-operative taxation being based

in certain circumstances on 3 per cent of the employed capital, that should be raised to $4\frac{1}{2}$ per cent. Just little things like that.

There is a film you should see some time if you have not seen it. It is not a Canadian film, unfortunately/perhaps. It is called "Citizen Dave Douglas" prepared by the National Tax Equality Association within the United States. That is a very excellent example of the kind of propaganda we have in mind.

MR. STEWART : Out of your experience and the experience of your Unions in the development of co-operatives can you say whether there are any general circumstances in which co-operatives tend to increase, grow more rapidly than others? I mean do they expand in good times and retract in bad times or is the rate of change related to the general economic conditions? Or does it require some special emergency or special need to arise in order to get an impetus?

MR. STAPLES : That is a very good question you have raised and one which requires more research than has been done on it yet. It has been said and I think we all have thought that people are likely to be in a more progressive frame of mind and ready to take steps to improve their position when times are hard to a greater extent than when times are good. However the records indicate, you will see when you get the figures, that the co-operative movement has grown much more rapidly in the last ten years than it ever did before, in dollar volume and in terms of percentage

return as well; and the last ten years have not been considered hard times, generally speaking.

MR. STEWART : I asked that question because I don't know of any careful analysis that has been made on that although I suspect that might be the answer.

MR. STAPLES : That is correct. I think the answer might be this, that at the start co-operatives which are an answer to some specific need, is when they are necessary. I think their growth only depends on that demand from the ability of the people themselves to organize, their ability to organize their own services, and I think that is true throughout Canada in these last ten years. Even if the conditions should have rendered less necessary the extension of co-operatives, yet at this precise moment they have grown rapidly because I think the big effort was put on the education, technical education as well as social education of the members and of the staff and so on, and this naturally gave all the co-operatives and their interest more help. And I think that is the answer to the actual growth of the movement and we feel that in some sectors of our economy where the need begins to come back clearer, I think at this moment we see -- excuse me, my knowledge is not so great --

THE CHAIRMAN : You are doing very well.

MR. STAPLES : I think in farming areas, for instance, especially in the Province of Quebec, actually there is much more, a much bigger interest in the co-operative movement than there was ever

before because the need is coming back again to be felt by co-operatives and I believe they have some experience now and in some sectors a great deal of experience. So the movement is just spreading very, very rapidly.

MR. LUSSIER : Is there any possibility that such a movement might become compulsory, for instance?

MR. STAPLES : Compulsory?

MR. LUSSIER : Yes.

MR. STAPLES : Not as we know it. If there is an element of compulsion introduced, a substantial element of compulsion, then it would not be a co-operative in our terms. That is the cardinal principle on which we operate, that the members operate an autonomous business, it is controlled by one member one vote and it is essential control. As soon as there would be some suggestion of compulsion then it goes out of the window as far as we are concerned. I am not suggesting there should not be a wealth of social services in some areas and we find some element of compulsion in some of the marketing of agricultural products. I don't want you to think that I feel that is necessarily a bad thing, but it is not a co-operative in our sense of the term. A marketing board, a marketing scheme as they are called, often, and a co-operative can often work together very well, but we regard ourselves as representatives of the voluntary co-operative movement.

MR. GRAUER : With respect to the trade unions, is there any rule among your members about

using trade union labour, that is paying trade union rates and that sort of thing or is that left up to the individual members?

MR. STAPLES : No rule at all, Mr. Grauer. In principle we are in favour of organization, the same as the labour movement in principle is in favour of co-operative development. But of course our membership organizations are entirely autonomous and they run their own labour relations quite by themselves.

MR. GRAUER : In certain areas you would effect considerable savings in cost, for instance you mention rural electrification extensions, if the members put up the poles themselves instead of hiring a trade union to do it.

MR. STAPLES : Yes.

MR. GRAUER : But you have no rule on that type of thing.

MR. STAPLES : No rule?

MR. GRAUER : Yes.

MR. STAPLES : No.

MR. GRAUER : You feel quite free to put up the poles yourselves?

MR. STAPLES : Yes. The same applies in housing, for instance, and there is no clash between the co-operative idea of housing and the labour unions as far as I know.

MR. GRAUER : Your principle more or less is that if your own members can do it then that is part of the idea.

MR. STAPLES : That is right. In the

total picture of course of co-operative as a whole the importance of that factor is not very great. It is different in --

MR. GRAUER : Just in the example I was reciting.

MR. STAPLES : Yes, and even in housing there is a certain amount of work which has to be done by professionals, to have the poles go in right.

THE CHAIRMAN : Well, thank you very much, Mr. Berube and Mr. Staples, for an interesting submission which we will have a chance to study at greater length and perhaps if there are further questions that occur to us we may appeal to you later on.

MR. STAPLES : Thank you very much. We will be at your service at any time. And we shall deliver the statistics when we get them.

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THE CHAIRMAN : We will mark your submission Exhibit 236. I might say that we have been hearing a great deal about education from the people who are anxious that others should be educated but it will be very interesting to hear what you have got to say about the subject.

MR. MARTIN : We are just anxious that we should be educated, I guess, as well as others.

On my left here is Mr. Tom Hammond, who is from the University of Toronto. He is a member of our National Fellowship Committee and he has done a great deal of research involved in the campaign and in this brief. Next to him is Mr. Harry Arthurs,

who is also from the University of Toronto. He is Chairman of the Fellowship Committee. The Committee is a national mandated committee which exists in Toronto. And on my right is Mr. Yves Pilon, who is Secretary-Treasurer of the National Federation.

I think if it is all right with you, Mr. Chairman, we will have Tom Hammond perhaps read the short summary of the brief and perhaps make a few other comments and then we might have a discussion.

THE CHAIRMAN : Yes.

MR. HAMMOND : Mr. Gordon and Gentlemen: I want to thank you for this opportunity to come before you and say a word on what we have done here. I think it is only right to emphasize the limitations placed on an undertaking of this kind on our part, by first of all limitations in our inabilities. We are not trained statisticians and we are not really economists. Myself, I am a student of history, and my only qualification to undertake this was an interest in the matter.

The second difficulty facing us is that there is not a great deal of material available to compile a brief of this kind. I understand that work is going to be undertaken in the future, that the Ontario College of Education in Toronto has received a grant from the Rockefeller Foundation and they are undertaking study in the near future on this whole problem, but until something like that is done we don't have too much material to go on. And in drawing up the brief occasionally I had to make use of surveys that our committee had made. Now, I am quite prepared to admit these

surveys probably don't have any scientific or statistical validity as such and we put them in only because we hope that they can give some hint of the situation as it exists. They are figures which seem reasonable to us.

Most of the conviction that we can put into this comes from our own personal experience, I suppose, even more than in the investigation of the facts. I think it is only right to add that little preface to what we have done.

The ideal of our committee and of this brief is a belief in the principle of equality of opportunity in higher education; and it is not just a solicitation of funds. This is not to mean that we deny the great value of summer employment as a means of developing a student's character and aiding in the furtherance of his studies, even the grants which we recognize would not affect the need for summer employment, and that beneficial experience is valuable.

Moreover we recognize that the implementation of our goal if such is to come, and the problems to be faced by universities in Canada as they anticipate an enrolment -- it has been said in the next ten years university enrolments will double, possibly more than double -- and we acknowledge that this poses great problems. Here the universities are planning to boost their enrolments, and yet a group of students comes before this Royal Commission to ask for an extension of grants, scholarships and bursaries. Does it really make sense? I think in a way it does, because we are concerned primarily only to lower the financial

barrier. Now, we are not so very concerned to increase enrolment tremendously. We want to make sure that those who get in are the people who are academically suited to get in. Granted an increased enrolment of some kind will be inevitable. We don't have all the answers to these problems, I must confess, and have avoided in preparing the brief any specific recommendations as to how the plan would work out. We are quite happy to leave those to the people most competent to deal with it.

Government, prominent educators and leaders in our economy have recognized that there exists a long-term shortage of professionally trained personnel in Canada. This shortage is particularly felt in industries essential to Canada's expansion. The ever-increasing lack of sufficient doctors, dentists, and teachers is being recognized as now strikingly obvious. It need scarcely be pointed out that a lack of teachers can perpetuate the shortage of trained technicians. I would suspect that the Commission has already heard a great deal about this problem, the growing shortage of technological personnel, so I don't think we need to deal with that too much at this time.

In the brief I mention in some detail the experience with the D.V.A. scheme which was used in the immediate post-war years and according to a study of that it would seem that the experience of those immediate post-war years is that, at least with the University of Toronto, the number of persons from low income groups whose children do not normally receive a university education, who could profit from and do well

at university studies is larger than possibly the small number who can normally obtain it through such bursaries and scholarships that now exist.

At a time when university education is becoming increasingly vital to the advancement of the student and to commerce, science and industry costs are climbing steadily. Surveys undertaken by the National Federation of Canadian University Students have shown that the average student can earn only about half -- about half -- of his financial requirements through summer employment leaving a gap of about five to six hundred dollars. These figures admittedly are rough but they are the best we can do.

MR. GRAUER : Is that based upon the person who comes in from the outside to a university or is it an average figure?

MR. HAMMOND : These are averages taken from universities, everyone is included. Naturally the costs of the student from a rural area are higher and that figure, \$600 is probably -- since there are more students from the city in the university, at least at Toronto, that figure is probably lower than the cost would be for a student out of town. I quoted in the brief a reference in a speech given by the President Sidney Smith, when the last fee increase was announced at the University of Toronto, and President Smith expressed the regret at that time that such an increase would make it particularly difficult for the student from rural areas and he mentioned Swastika and Sioux Lookout. I suspect he chose those names because they are

picturesque.

THE CHAIRMAN : I suspect you are right on that point. At the same time though if I remember the announcement that there would be an addition to the bursary fund -- I don't know whether it is true now -- but as I remember it the initial fund at the University of Toronto for quite some time didn't used to be used up. How do you account for that?

MR. MARTIN : That still I am afraid is actually the situation, Mr. Chairman. I have friends at the University of Toronto who have picked up much more money than they needed at University College, mainly there has been more money around at the end of the year than there has been a demand. But I don't think that gives anything like a true picture of the situation because the universities -- I don't know about other universities, I have been at Toronto for three years myself -- the University handles its advertising as it were on bursaries and scholarships available in what you might almost call a disgraceful manner.

THE CHAIRMAN : Top secret?

MR. MARTIN : Yes, top secret that is just about the situation. And the smart boys who are in the inside can go in and pick up a few hundred dollars whereas there are people walking around the campus who should be getting bursaries who don't know they are available and even in terms of the money that is there, if it was fully used, we do not feel it would meet the need.

MR. GRAUER : Is that because they don't

read the notice boards?

MR. MARTIN : No. I suggest further that a large part of our concern is directed towards people who have not entered university, who have no information about this bursary fund.

MR. GUSHUE : People who would not be able to come in otherwise.

MR. HAMMOND : Just as indicated, I was told by the Principal of my college that a number of people who came into my own college last year didn't win scholarships because they had not been informed of them in the schools in which they existed and hence didn't know enough to apply. True there are scholarship funds which sometimes go unused. In many cases this is due to peculiar qualifications. There are all sorts of scholarships knocking about which go to say a long line of descendants of someone and that sort of thing and in some cases if you look at them as I have done you find you have to descend from so-and-so or your father has been a Major in a certain regiment, so you are met by these qualifications.

THE CHAIRMAN : Sidney Smith knows of the picturesque, I suppose?

MR. HAMMOND : The National Conference of Canadian Universities looked into this matter in the past and although they found that there were numerous awards, they found a common deficiency in them all. They concluded that although a good student was reasonably sure of getting assistance -- assistance which he would get ranked from something like \$250 to about \$350 at the most and to us a bursary or a scholarship of say

\$350 is something of an exception and that we submit is not enough. Such an award is only a tantalizing factor which sometimes gets a student on beyond his depth because if you cannot get earnings during the summer you cannot finance an education on a scholarship of even \$350. And the figure we have set in our rather vague suggestion is \$500 that is a worthwhile aid. If there are any other questions --

THE CHAIRMAN : No, we have been interrupting you. You carry on.

MR. HAMMOND : All right.

Illustrations from other countries give much weight to a statement which the Principal of McGill University has made and I quote: "A young Canadian with a family of modest circumstances has less chance of getting a university education today than a youth in any other country with which I am familiar." A shockingly low percentage of Canadians get to university and of those who do only a small proportion receive financial assistance. About half of those qualified who do not go on to university are prevented by financial reasons.

I have quoted in the brief the sources for those statements and I admit that as far as I can find out no one is sure of the exact figure. We cannot know how many people go/unnoticed, how many people who deserve to go do not go. We simply cannot be sure of that. But these are estimates based on surveys taken in various high schools here and there and they are some hint that a difficulty does exist.

Partially as a result of this financial

barrier, a serious psychological barrier to university education has arisen in Canada. A feeling exists among even very bright children in many low-income homes that university education is something to which they have not the right to aspire. The assumption that any young person of real talent or brilliance is sure to reach his destiny is pure folk-lore. Canada is the loser if some of her potential leaders do not get a chance at university.

Our committee, therefore, urges the government to appoint a special commission to study the problems of education in Canada. As I have said, too little is known now. Our most important recommendation is to urge the government to begin a programme on a national level of increased and more numerous scholarships and bursaries. We do not feel competent to present a detailed plan, however we would suggest a minimum programme eventually benefitting 10,000 students and costing an estimated \$5,500,000 a year. In effect, our request consists in the bringing up to date of the Dominion-Provincial programme of bursary assistance to deserving students. Under that plan the government has already accepted the principle of government assistance to needy students.

While we recognize provincial rights in the educational field, we feel that the relatively greater financial power of the federal government makes its support essential. In order to effect an equitable scheme co-operation between the two levels of government is necessary.

Our proposals do not differ in any

important aspect from those noted with approval by the Massey Royal Commission of 1951. They recognized that university education for all who are truly worthy of it is essential for Canada's development.

There are two sets of qualifications for university entrance today: academic and financial. We do not want to see academic standards lowered and I emphasize that point. We do not wish to see the universities so flooded with people they cannot cope with them. But we do hope that you will be able to recommend steps which will eventually abolish the unjust financial barrier which now exists and establish the principle of equality of opportunity in university education in Canada.

That is a brief summary of the highlights in the brief which we have submitted to you. Now, if there are any passages in the brief itself which require explanation or further comment or anything you would like to ask, we will try to answer them, though I confess we are not authorities on education.

MR. GUSHUE : I am rather interested in this brief, and being associated with a university can hardly express disapproval in any way. But I was wondering if any thought had been given to helping the type of student of which you speak on a loan basis rather than on the basis of a grant. There you would be saying to the student "You will get the money for your education but we would expect you to assume the obligation of repaying it at a convenient time when your earning power has increased" and so on. Has

that been discussed by the committee at all?

MR. ARTHURS : Mr. Chairman and Sirs we have definitely given this some thought. I understand that in the Province of Alberta particularly such a scheme does exist.

MR. GUSHUE : Coming from Alberta, we will have to get my colleague over there to check that.

MR. ARTHURS : I appreciate that this is information that our local committee has given to us there, that some such scheme does exist. On the other hand I think it is interesting to note that any people who get through to higher income produced by university graduates, they would contribute back to the country even to a greater degree than the country contributed to them. We naturally know that people of the higher income level are able to produce both individual and national wealth, so repayment would take place in that form.

MR. STEWART : But a good deal of the moneys adhere to the individual, don't they?

MR. ARTHURS : Well, certainly, sir, no one will not deny that. But of course it does ultimately come back to the community as well.

MR. HAMMOND : And, Mr. Chairman, it might not be improper to point out that in the sense of the government, it would probably get a good deal of the money back in the form of income tax anyway.

MR. GUSHUE : It gets everybody's money back by income tax.

THE CHAIRMAN : You don't have to go to university to qualify to pay taxes.

MR. GUSHUE : I don't think that is one of your good arguments.

MR. MARTIN : I think before we get off this subject of the loan fund, it seems to me that if there was the sort of extension that we are talking about in the present provincial Dominion scheme under the Department of Labour, I think it is -- if there were extensions of that scheme then probably the present situation would continue in which some provinces would make outright grants as bursaries, others make loans and some others make a combination of loans and grants. We of course as I suppose you would gather prefer the straight bursary system to other provinces which perhaps would feel the need for it. I think a loan system would certainly be much better than nothing, by all means.

MR. GUSHUE : I was just interested in finding out if it has been discussed. I understand it has.

MR. STEWART : Alberta needs it.

MR. GUSHUE : I thought Alberta was very wealthy.

THE CHAIRMAN : It is one of the have-not provinces, isn't it?

MR. STEWART : Yes.

MR. GUSHUE : I just wanted to be sure. They have not any worry.

THE CHAIRMAN : You mentioned that in the long run the country gets it back because the university graduate or the better educated individual was liable to contribute more than others. We have been hearing a

good deal in the course of the work of this Commission about the highly trained scientists and engineers who depart for United States. What would you think of asking them to contribute back over a period of years the cost of their education?

MR. ARTHURS : Well, of course, the promotion of Anglo or Canadian-American relations by this export of raw material to them is one aspect of that but more particularly we can say that if the employers and industries were willing to take their responsibility more seriously to pay these men the type of salaries that can hold them, I think perhaps you would not see this exodus of people to the United States.

THE CHAIRMAN : That is one problem but it is not the whole problem. I think it is the most important aspect of it but in some fields such as research and chemistry, for example, there just is not the opportunity in this country that exists in the United States and that is perhaps more of a drawing card, more of a pull than salary considerations.

MR. ARTHURS : I think that is quite true, sir. You must also consider of course that the very fact that these opportunities don't exist in Canada is a loss to Canada, the fact that we don't have after all particularly well developed research programs in Canada is a loss to Canada -- not only from the standpoint of the people going out of Canada but on its own account. We should have perhaps a more intense research program.

MR. HAMMOND : Just one question

I would like to add to your reference to the people we lose to the United States. I know of numerous scholarships now listed in the catalogue of various universities which I have looked at take the trouble to stipulate that any recipient of any award would to some extent be expected to return, to be working and living in his own country after he graduates and I suppose morally might have an obligation. But I think a number of the grants made under the D.V.A. scheme had a similar -- if it was not insisted on -- I know it was considered very desirable that any recipient of benefit should pursue his career here in Canada and it might be a very good way of encouraging people to remain here and to work here.

THE CHAIRMAN : Well, I don't want to over-emphasize the question because quite obviously a very great proportion of the Canadian university graduates stay in the country and we are talking about just a few people.

MR. HAMMOND : Yes. What is a fact worth noting I think is the rather high proportion of students who move out of the province in which they do their undergraduate work and therefore it seems that federal assistance to a university in some corner of the continent is not in that sense only a parochial thing, it could be assistance which will be well graduated throughout the rest of the country because there is this great deal of movement particularly in certain universities, we have noticed that while we are speaking of movement of graduates and so on.

MR. STEWART : Your thinking would

incorporate loans, bursaries and scholarships?

MR. HAMMOND : Yes.

MR. STEWART : In a well integrated scheme, is that true?

MR. HAMMOND : Yes.

MR. STEWART : But the emphasis is on the bursary.

MR. HAMMOND : Yes, but personally I am rather skeptical about that term bursary. We insist that the academic qualifications for this be very high. We do not want these rewards to be merely a proof that the winner has been able to establish poverty in the eyes of the selection committee. This is to be a reward for progress in academic merit to persons who otherwise could not make it. So we insist on the academic merit, we also want to demonstrate that, when the demonstration of need will be made, so the money is not wasted.

MR. STEWART : Let us look at the other case, the brilliant student with the highest qualifications who chooses to be a doctor or dentist, his father has a million dollars, the catalogue list gives \$1500 or \$2000 scholarship, and what is normal in this country he takes it all. Now, if there are limited funds available, he is taking \$1500 of your principal apart, you see, away from somebody else who should be getting it. Now, the question I want to ask you is with that kind of top scholarship award is there something else than a cash prize that would appeal to the student?

MR. MARTIN : I think, Dr. Stewart,

we are basing our suggestions on the Massey Commission suggestions which are in turn perhaps partially based on our suggestions to them a few years ago. But the idea in this \$5,500,000, if I remember correctly, is that about \$500,000 of it would be used for strictly merit scholarships and these would be presumably somewhat similar to what we might call national merit scholarships for the top scholars in the country, but that is only about 10 per cent of the total amount. It is our feeling that these people, the people who come out of high school with a 99 per cent status in Grade 12 or 13, these people are already taken care of to a fairly respectable extent. The one we are most interested in being assisted are the students who if they were at university they would have a good second class standing which means that they are going to be good graduates and Alfred North Whitehead thought they were the best type of graduates, better than the first class men but in any event they will certainly be good graduates and good citizens of the country. But presently they do not get the large entrance scholarships and we feel that bursary aid available to them is not what it should be. So outside of the national merit scholarships what we are recommending is a system of bursary scholarships, they will be for scholarships but they will also be awarded on the basis of need.

MR. STEWART : Just one more question.

I notice your reference to the high cost in dentistry which is a high cost course. Does your application of the principle of equality of opportunity lead you to suggest uniformity of funds in different programs or do

you think they should vary it with costs?

MR. HAMMOND : I don't believe we have gone into that at all, sir. It would seem to me that fees are a fairly arbitrary thing anyway and they seem to be very close to the last resort of the university for revenue on a scholarship. I think no student in Canada is actually paying fees to the amount of money the university actually spends on him, whether it is in a \$300 Art course or \$400 Dentist course, or \$500 Science course or what-have-you. I don't believe we have gone into that at all.

MR. STEWART : You don't think there should be higher rewards in dentistry if fees have to be kept up, if it is costly?

MR. HAMMOND : It might. It would be an excellent idea, yes, because otherwise the dentists and the doctors and some of the science courses would still be disgruntled again.

MR. STEWART : That is the point I want to make.

MR. MARTIN : There is one point to add to that, of course, a dentist and a doctor is able to earn more during the summer months than some of the other students.

MR. STEWART : And engineers.

MR. MARTIN : And engineers, yes, quite.

THE CHAIRMAN : You say that a first year medical man can earn more during the summer months?

MR. MARTIN : Perhaps not, no, in later years.

THE CHAIRMAN : He really does not reach

the point where he can earn much money until he has graduated from the University and done his intern work. I would say he is at quite a distinct disadvantage.

MR. HAMMOND : Yes, it is more the type of student in Practical Science.

MR. MARTIN : I think one relevant point though, you take the case of a dentist in Canada today, his highest income of any time during his life is going to be within the first five to ten years after he graduates from university -- or so my father informs me who is a dentist. And the suggestion seems to be that a dentist for example can go into debt at the university for his equipment and so on and for his dues and be absolutely certain he will be able to repay them at a minimum figure shortly after he graduates. Now a research worker or a graduate in Honours Philosophy, perhaps a graduate in Philosophy is not going to be able to earn enough money immediately after he graduates to be able comfortably to repay a loan, he is likely to start off at a low salary, though he will probably end up in 40 years or so making more than the dentist does -- my father says.

THE CHAIRMAN : Well, thank you very much, this was an interesting submission and we will undertake to think about it very seriously.

(At 1.00 P.M., the Commission adjourned
until 2.30 P.M.)

A F T E R N O O N S E S S I O N

THE CHAIRMAN : Shall we come to order, gentlemen? Mr. MacKay, we will mark your submission of the Maritimes Transportation Commission as Exhibit 237, and if you are ready I think we will proceed.

MR. MacKAY : Mr. Chairman and Members of the Commission, the Maritimes Transportation Commission appreciates this opportunity of presenting to you an outline of the transportation situation of the Atlantic Provinces. It had originally been our hope to appear before you during one of the hearings which you held throughout the Atlantic Provinces. Due to staff changes within the Commission, however, it was found impossible to prepare our brief in time for those hearings and it is for this reason that we are making our submission at this stage in your inquiry.

Before attempting to summarize the views contained in our brief, I would like to take just a minute or so to acquaint you with the nature of The Maritimes Transportation Commission. The Commission as presently constituted had its inception in the formation of the Maritimes Freight Rates Committee in September 1925, when a group of business men assembled in Moncton, New Brunswick, to decide what steps might be necessary to investigate the factors contributing to the depressed economic conditions then existing in the Maritimes. This organizational meeting resulted in the retention of a traffic expert for the purpose of studying the incidence of freight rate increases

on the economic situation in the Atlantic Provinces. Eventually, submissions were made to the Board of Railway Commissioners, as it was then known, and the Royal Commission on Maritime Claims under the chairmanship of Sir Andrew Rae Duncan. A brief to the latter Commission was of material assistance in the findings which led to the Maritimes Freight Rates Act of 1926. In 1928 the name of the Maritime Freight Rates Committee was changed to the Transportation Commission of the Maritime Board of Trade and the present name of The Maritimes Transportation Commission was adopted in 1951. The Commission has always consisted of business men in the Atlantic Provinces and it has been made a policy to obtain a wide territorial representation throughout the four Atlantic Provinces. I know you will pardon me if, being Chairman of The Maritimes Transportation Commission, I refrain from indicating to you the extent and the quality of the work done by us for the people of the Maritime Provinces. All I can properly say is that the Commission's efforts continue to be tangibly recognized by the unstinting support given to it by the government of the four Atlantic Provinces.

I will attempt now to summarize as briefly as possible the observations made and the views expressed in our submission to you. Allow me to say at the outset that we have avoided burdening our brief with the mountainous details which customarily find their way into submissions on transportation. Instead, it has been our endeavour throughout to sketch the large features of the transportation problem which faces Canada's four

Atlantic Provinces. Needless to say, we will be only too glad to co-operate with your technical staff in supplying any further information which might be needed and can be given by us.

It can be said with little fear of contradiction that nowhere else in Canada is there such a keen appreciation of the importance of transportation as in Canada's Maritime Provinces. In fact, there is little doubt that transportation looms as large in the minds of the Atlantic community today as it did at the time of Confederation. One need only look at the submissions already made to your Commission by the four Atlantic Governments which are studded with references to what is so often termed the "transportation handicap" of the Maritime Provinces. It is clearly understood by us, living in these Provinces by the Sea, that the degree to which our products can reach their principal markets in Central Canada is circumscribed by the cost of transporting these products.

It is, of course, fully realized that concentration on the regional market and the continuing development of progressive marketing techniques have their important place. In the opinion of this Commission, however, the impelling necessity of overcoming distance from markets and sources of supply will continue to remain a major problem for the Atlantic region. At this stage, let me point out that the implications of this distance factor are by no means confined to the pricing of transportation services alone but embrace such matters as the availability of

competing carriers of different types and the time in transit of commodities originating in or destined to the Atlantic region.

The stress placed on the transportation and communication link of the Atlantic Provinces with Canada as a whole is clearly discernible in the Terms of Union of the several Atlantic Provinces. It is not my intention to refer to these Terms in detail; they are cited in our submission. They have been included in our brief because they show so clearly the dynamism inherent in transportation, a dynamism which indicates the need for taking a progressive approach to the transportation problems of an economic region. Such a progressive approach, for instance, would evaluate the adequacy of the transportation link guaranteed to Newfoundland under its Terms of Union and it would also study the feasibility of improving the communications now existing between Prince Edward Island and the Mainland. It has been noted with considerable satisfaction that both these instances have been brought to the attention of the public by the Provinces concerned since our brief was submitted to your Commission.

May I therefore amplify somewhat a matter referred to in our brief, and that is the possibility, since Cape Breton is now connected with Nova Scotia by a causeway, of providing a similar connecting link between New Brunswick and Prince Edward Island. While it is admitted that the distance is much greater than the Straits of Canso, nevertheless one more factor is the relative shallowness of the water between New Brunswick

and Prince Edward Island. One would respectfully suggest that a study be made of the cost and other features of such a connecting link.

Apart from the Terms of Union of the several Provinces with Canada, major recognition to the importance of the transportation factor to the Maritime economy was given by the Royal Commission on Maritime Claims under the chairmanship of Sir Andrew Rae Duncan.

The transportation recommendations of that Commission, arrived at after a most exhaustive study of the situation then prevailing, were embodied in the Maritime Freight Rates Act of 1927. The preamble to that Act is, regrettably, no longer carried in the revised statutes but sets out clearly the reasons which motivated the Duncan Commission to recommend reductions in the Maritime Freight Rates. The preamble, which is quoted in our submission to you, states that the Inter-colonial Railway was designed, among other things, to give to Canada in time of National and Imperial need an outlet and inlet on the Atlantic Ocean, and to afford to Maritime merchants, traders and manufacturers the larger market of the whole Canadian people instead of the restricted market of the Maritime Provinces. The Maritime Freight Rates Act, as has been pointed out by this Commission on previous occasions, had, initially at least, the salutary effect of arresting an adverse trend in the Maritime economy and of improving the competitive position of the region's small scale industries. It did so by providing that on certain defined movements of freight by railway the rates should be reduced by 20 per

cent and that the difference between the reduction so made and what might be termed "normal" rates be made good to the railways by the Federal Government.

Allow me to digress for one minute to make an observation concerning the widely prevailing view of the rates under the Maritime Freight Rates Act as "charitable" rates which have no counterpart anywhere in Canada. This view is part and parcel of an unfortunate attitude so aptly scored before your Commission by the Honourable Hugh John Flemming, Premier of New Brunswick, when he said: "When we in this part of Canada attend meetings, conferences, and so on in other parts of the country, we are frequently treated as if we were complaining poor relations or querulous beggars." It was to deal with this view that our Commission prepared a study which shows that, when compared with other payments made by the Federal Government for transportation assistance, the monies paid under the Maritime Freight Rates Act are neither unique nor unduly beneficent. That is further outlined in detail on pages 12 to 14 of our submission.

On pages 14 to 28 of our submission we have attempted to outline the components of the transportation plant of the Atlantic Provinces. We have tried, wherever it has been possible, to assess the importance now and for the future of the various agencies of transportation to the regional economy.

With regard to rail transportation, we have drawn attention to the importance of the time factor in transportation services and have stated that it is

imperative for Atlantic producers and ports that their relative distance from Central Canada be minimized in terms of transportation time.

It will be noted in our report that some of the transportation times that were in effect in 1948 are now exceeded in some considerable extent particularly on west borne freight. That is also made out on pages 16 and 17 of our submission.

We have pointed out the stress placed on water connection links between the Mainland and Newfoundland and Prince Edward Island respectively by growing traffic volumes and have attempted to indicate the place occupied by water transportation in the economic life of Canada's four Maritime Provinces.

Dealing with highway transportation, our brief states that present statistics are somewhat inadequate in making a proper assessment of the importance of that type of carriage in the Atlantic region. From the figures available, however, it is apparent that the utilization at present of motor carriers is not as intense in the Maritimes as it is in other parts of Canada. It can be expected that, with the emphasis placed by the Atlantic Governments on the construction and maintenance of an adequate modern highway system, there will be a material growth of the carriage of goods by road. That might be indicated I think in part by the fact that a great deal of our fish from Nova Scotia and New Brunswick are now being transported to the United States centres and also Central Canadian centres by truck.

In the opinion of this Commission the

irregular geographical configuration of the Atlantic Provinces caused by the indentations of the sea which lengthen the distances by land between important communities, makes the air carrier a particularly suitable instrument of transportation in the region. As costs of carriage by air decline, and there are indications that they will so decline in the foreseeable future, there will be more and more scope for the development of air freight services in the Atlantic region. It should be noted, however, that the low-value, bulky nature of many of the area's products make them unsuitable for air carriage even under greatly reduced costs of transportation. So it would therefore seem that any possibilities of air transportation in the almost -- well, in the near future, is very doubtful. In order to compete even with the smaller manufacturing units the charge would have to be at least reduced to approximately four cents per ton mile, which I think is some distance in the future.

I would like to deal now with the transportation problem which confronts the Atlantic region today and which has a fourfold aspect. First, with regard to export trade, the dependence of the Maritime Provinces on the Canadian domestic market has become greater as trade and currency restrictions have tended to shrink foreign markets for many of the region's commodities.

That I think is outlined fairly conclusively in our brief. However, we will refer in one place to apples, peatwood, lumber and various other commodities of that type. I think one of the finest examples is of apples from our Annapolis Valley. Their

logical and usual market has been in England but due to particularly currency restrictions that market has been lost, which is very serious as it is difficult to cheaply, reasonably cheaply, place them in the Central Canadian market. The situation has been bad for those producers during particularly this past year.

Second, in the case of manufactured articles, materials entering into production must in many instances be brought over long distances and the finished goods sent out again over the same distances.

Third, as concerns primary commodities, low-value, bulky goods must reach a distant market. Post-war horizontal freight rate increases, applied - except in the case of a few isolated commodities - without maximum limitations, have borne heavily on such goods. In fact, in a good many cases it would almost seem to me it may not be actually sound; that the horizontal freight rate increases actually the system of perimetral status, when they reach the perimeters of this country, the Maritimes and the West Coast.

The fourth aspect of the transportation problem of the Maritime Provinces arises out of transportation advantages elsewhere. Greater competitive forces in Central Canada have required the railways to lower many of their rates in that region. This process of decreasing transportation charges elsewhere, unaccompanied by similar decreases in the Atlantic Provinces, tends to destroy the advantages which the Maritime region was meant to have under the provisions of the Maritime Freight Rates Act.

I would like to deal briefly with these aspects. The difficulty of selling in world markets hemmed in by trade and currency restrictions is not peculiar to the Atlantic region and has been brought before your Commission by a number of groups. These difficulties have a bearing on the transportation situation of the Maritime economy mainly because they reinforce its orientation on particularly the Central Canadian market to which access has become more difficult due to developments within the field of transportation itself.

The transportation problem of Maritime manufacturers arises out of the heavy concentration of industry in the Quebec-Ontario region which means that many of the materials entering into production must be brought over extensive distances. Similarly, due to the small, scattered markets within the Atlantic territory, a large share of the products manufactured in the region must seek the compact markets of Central Canada which account for such a high proportion of our domestic purchasing power. The cost of inward and outward freight, therefore, looms large in the production costs of Maritime manufacturers. In addition to the disadvantageous competitive situation produced by the high transportation charges, the position of the region's manufacturers relative to their competitors closer to the common markets is worsened by the faster transportation services which are available in Central Canada. We have already made reference to the increasing importance of the time factor in transportation. Shipments between the Atlantic region and Central Canada are in many cases subject to a transit

time which bears little relationship to physically possible service performance. On the other hand, transit time in the Ontario-Quebec region due to the intense competition between rail and highway carriers, has seen vast improvements. It should be pointed out that the rate structure takes absolutely no account of the influence of the time factor on the value of the service performed.

As in the case of manufactured goods, most of the primary commodities produced in the Atlantic Provinces must reach distant markets. Transportation costs are generally of high significance in the total cost of such commodities, particularly where they are subject to a long haul. It has been estimated that the freight rate on Apples for a haul of over 1,000 miles may be 25 per cent of the cost and on Lumber the transportation content over that length of haul may amount to as much as 40 per cent of the cost. As has been shown in appendices to our submission, most of the carload rail traffic moving out of the Atlantic region goes to the Provinces of Ontario and Quebec. In that territory Maritime traffic meets the competition of products which have been subjected to a much shorter average haul per ton by rail, or else, have moved over shorter distances by other means of transportation. We have attempted to show in our submission that in the preponderance of cases, products moved from the Atlantic region to the Central Canadian market are subject to a longer than the average Canadian haul per ton for the respective commodities.

The geographic disadvantage under which

the Maritime producer labours, has been made artificially greater by the effect of the post-war freight rate increases. These increases which have been in the order of 98.12 per cent since April 1948 have been applied horizontally and, save for a few minor exceptions, have taken no account of the ability of individual commodities to bear the rise in transportation prices.

As we have shown in our submission, the method of applying freight rate increases horizontally in Canada has been scored repeatedly over the years. In fact, the railways themselves, in giving evidence before the Duncan Royal Commission, agreed that long-distance traffic, particularly heavy traffic is prejudiced by the operation of such horizontal increases. Certainly, the application of general horizontal freight rate increases tends to place an additional burden on the Atlantic economy and contributes to the rate deterioration of the position of Maritime producers in the populous markets of Central Canada. It is hoped that general recognition will be granted to the fact that certain commodities and/or certain regions are seriously affected by this method of increasing transportation charges.

But the differential relationships between shippers and consignees in the Atlantic Provinces and their counterparts in the Central Provinces have been disturbed not only by the imposition of horizontal rate increases but also, and perhaps even more so, by the rate reductions which the railways have made outside the Maritimes because of competitive

pressures.

As was pointed out by the late Dr. H. A. Innis, the effectiveness of truck and water competition in keeping down rail rates in the St. Lawrence region has been quite evident. Dr. Innis pointed out that the ability of that region to escape from the full impact of increases in railway rates accentuates the burden of these increases in other regions. That is particularly the case where very largely producers and others resort to what is known as agreed charges by taking 90 per cent of the production of a firm, by being assured, rather, 90 per cent of the products of a firm, the railways very materially reduce the rates and naturally the motor transport have to keep up and likewise reduce their rates and these agreed charges materially affect or actually cause the difference in the central part of Canada with the rates that apply in the Maritime Provinces.

A study made by this Commission has shown that not only has it been possible for the Central Canadian traffic to escape from the full impact of post-war rate increases, but an important segment of this traffic actually enjoys rates today which are lower than those that were in effect during the depression of the thirties.

Our studies have shown us that both on less-than-carload and carload traffic, the two prongs of unmitigated horizontal percentage increases and the more intense competition between carriers outside the Maritimes have penetrated deeply into the substance of the Maritime Freight Rates Act.

Once again there is dissatisfaction with the freight rate structure in the Atlantic Provinces. The reluctant conclusion is being drawn increasingly that the Maritime Freight Rates Act is failing to meet some of its objectives. It has been more and more difficult for Maritime merchants, traders and manufacturers to compete in the larger markets of Canada which they were meant to have rather than "being restricted to the small and scattered population of the Maritimes themselves."

The thought has emerged that the time has come for another "broad measuring" of the type undertaken by the Royal Commission on Maritime Claims. That thought is based on the recognition that the measurement of rate levels on hand of authorized general percentage increases is unreliable because it fails to take into account the modifications of such levels which are constantly being made due to carrier competitive pressures. What is required now is a clear assessment of the effective freight rate levels which exist in the various regions of Canada.

As we have attempted to show, the problem of making it possible for the products of the Atlantic region to reach distant concentrated markets still exists in all its urgency today. If any, it has assumed more facets due to developments which have so radically borne on modes of transportation and manners of distribution.

In the opinion of this Commission, this problem will lose none of its force in the future. Population estimates made by the several Atlantic

Provinces do not portend an appreciable growth in the markets which will be available for the products of the Atlantic region, although much can be done to enlarge those markets. A study has been made by this Commission. Nevertheless, although exploited to their maximum, these markets will still be inadequate.

If it is, indeed, still of primary importance that the products of the Atlantic economy be given easy access to the populous centres of Canada, then, in our respectful submission, a clear-cut pronouncement to that effect by your Commission is desirable. Such a statement, made - as it would be - after an exhaustive and balanced study of the entire Canadian economy, would serve as a marker for the economic interests of the Maritimes and would assist the region in marshalling its resources for its fullest possible participation in the development of Canada as a whole.

In our submission we have attempted to indicate that transportation developments which have taken place outside Maritime territory have impaired the advantages which the Atlantic Provinces were meant to have under the Maritime Freight Rates Act. Left to run their present course, these developments will aggravate the transportation situation of the Maritimes, since even greater competition between various carriers can be expected to result from the completion of the St. Lawrence Waterway and the rapid construction of highway networks in Central Canada.

We respectfully suggest that the time has now arrived to test the ability of the Maritime

Freight Rates Act to achieve its intended objective. What is required is a broad measurement of the effective rather than the authorized level of transportation charges in and between the various regions of Canada. With this in mind, it is suggested that a study be undertaken to measure the incidence of freight rates on the several economic regions of the country. Such a study could bring to light essential and presently non-existent information.

As an example, data could be assembled to determine as accurately as possible the effects of general horizontal freight rate increases on the economy of Canada and its several regions as well as on the various media of transportation. Information could also be developed to measure the extent of competitive rate reductions and their effects on persons and industries and on the various carriers themselves.

Only to the extent that such information is freely available, is it possible to assess with some degree of accuracy the validity of many contentions with regard to transportation matters. By the same token, the availability of such data will assist in making projections of present trends.

We have attempted in our submission to outline the transportation situation of the Atlantic Provinces and to show future development where that could reasonably be done. The Maritimes Transportation Commission hopes that the remarks made by us will be of some assistance to the studies made by your Commission. Also, if there are any questions which

you would like to ask and which we can answer, we would be very happy to do so.

THE CHAIRMAN : Thank you very much, Mr. MacKay. You suggested the possibility of a causeway to Prince Edward Island which is a new thought to me. What distance would that have to cover?

MR. MacKAY : The distance, Mr. Chairman, is approximately nine miles.

THE CHAIRMAN : And what would it cost?

MR. MacKAY : Well, now, that is something that has never been estimated with any degree of accuracy. It might conceivably cost as much as 50 million dollars. It would depend to quite an extent on just where rock fill could be obtained, although along those rocky shores of New Brunswick I do not think there would be any great difficulty. But the water, as I have suggested, is relatively shallow, about 15 fathoms at the deepest, that is approximately 90 feet, and the greater amount of it is less than 10 fathoms, in other words 60 feet -- while the other causeway which I mentioned, that is the causeway across the straits of Canso, the water was approximately 29 fathoms in the centre, that is 174 feet, and 20 fathoms across most of the expanse.

THE CHAIRMAN : What was the distance there?

MR. MacKAY : The distance is approximately one mile.

THE CHAIRMAN : And what did it cost?

MR. MacKAY : Pardon?

THE CHAIRMAN : What did it cost?

MR. MacKAY : My recollection is that it cost approximately \$22,000,000.

THE CHAIRMAN : Well, I was just wondering about this proposal, if it cost \$50,000,000 and I suppose it really could cost considerably more than that. Suppose you went to the people of Prince Edward Island and had a referendum, wouldn't they sooner have \$500 or \$1000 apiece than a causeway? It seems to me it gets into costs that are pretty astronomical, having regard to the number of people who would use that particular service.

MR. MacKAY : Well, it was not our intention, sir, that the people of Prince Edward Island would assume this burden by themselves.

THE CHAIRMAN : No, I would assume that you thought the people of Canada would assume the burden.

MR. MacKAY : Well, the people of Canada incidentally assumed the obligation of putting the causeway across the Straits of Canso.

THE CHAIRMAN : Now, I just want to lead on a little bit. I was not thinking that this would be charged to the people of Prince Edward Island but I wondered if it was a serious proposal, they would not settle for a payment or a donation of \$500 or \$1000 apiece and continue to travel by ship?

MR. MacKAY : I am wondering.

THE CHAIRMAN : I want to go one step further. I am quite sure that if we started building bridges or causeways to all islands that there would be others who would feel they should not be left out and

after all it is even farther to Newfoundland and quite a distance to Vancouver Island. We could get ourselves into quite a causeway building operation.

MR. MacKAY : I believe Mr. Chairman that--

THE CHAIRMAN : I am just wondering, is this a serious proposal?

MR. MacKAY : The figures we have heard would indicate that if it did cost 50 million dollars that that amount over the present modes of transportation could probably be saved in thirty years, possibly twenty-five years. Have you some figures there, Mr. Mann, and will you submit them, please?

MR. MANN : Well, Mr. Chairman and Gentlemen, my name is Howard Mann, I am the executive manager of the Maritimes Transportation Commission.

MR. MacKAY : Mr. Mann -- I apologize, I forgot to introduce him -- he is the executive manager of the Maritimes Transportation Commission and has these matters in great detail.

MR. MANN : We have just taken off some rather rough figures and I will put them forward with due apologies for their roughness. But we have looked at the capital cost of providing a ferry service across the Straits of Northumberland. We also looked at the deficits yearly paid by the Dominion of Canada in respect of maintaining that service. We find that the accumulated expenditures to 1955 on ferries and terminal facilities at Borden and Cape Tormentine amounted to -- I would think that that is ab initio as we say -- accumulated expenditures amounted to \$21,296,591.90.

The annual deficits on the ferry and providing the ferry service and the terminals through the years 1940 to 1954 amounted to \$13,650,846.44, making a total, if our calculations are right, of \$34,947,438.34. I might say that the estimates just published for 1956-57 provide for the expenditure of \$1,501,000 for the maintenance of the ferry link between Prince Edward Island and New Brunswick.

Now, a look at the annual deficits of the P.E.I. car ferries and terminals over the years will reveal some interesting information. For instance in the year 1940 to '41 the annual deficit on providing these facilities was \$460,733.48. In 1953 to '54 that \$460,000 odd had gone up to \$1,602,855. In other words, there is an increasing rate of deficit on these ferry operations. The Prince Edward Island, the original boat was three-quarters of a million dollars to build. The Prince Edward Island which was sunk during the War cost two million dollars. The Abegweit I understand cost in the neighborhood of seven million dollars. I understand that, or it is felt from expressions generally on the Island and elsewhere, that the traffic volumes have increased to such an extent that the provision of another ferry will become necessary pretty soon. I doubt very much whether that ferry could be built cheaply. Ferries lately have not been built very cheaply, and I would think that one would have to provide for a fair amount of money which could perhaps be put somewhere else. And this Commission merely puts forward the thought which has already been expressed by Mr. MacKay

that the possibility of such a causeway in the long run, for providing what really is efficient communication between the Island and the mainland, much more efficient than it is now, that that possibility should be studied. I think that is about all I have, sir.

MR. MacKAY : Mr. Mann has not mentioned in dealing with those facts and figures the other ships that ply between Wood Island and Caribou, two steamers which run there, which are subsidized by the government also, \$150,000 a year. So that after all, even supposing -- and those figures of \$50,000,000 may be entirely -- may be larger than the project would need, but even --

THE CHAIRMAN : They could be a good deal smaller too.

MR. MacKAY : They might be a good deal smaller too, I could not say about that -- although from an engineering point of view I don't think -- I am not an engineer, I am not quoting myself -- but from an engineering point of view I don't think there are any engineering problems such as there were in the Straits of Canso where there was a very heavy tide and very deep water.

THE CHAIRMAN : Thank you. On page 11 of your submission you are talking about the problem of making it possible for the products of the Atlantic Region to reach distant, concentrated markets and the problem of freight. When we were in the Atlantic Provinces or rather in the Maritime Provinces, there was a suggestion made to us that there might be opportunities of developing manufacturing concerns in New

Brunswick and Nova Scotia particularly to serve the Atlantic market. There was also reference to the fact that those concerns would have some protection in the form of freight rates. How important is that?

I mean in your view do you think that kind of protection is necessary to build up local manufacturing industry?

MR. MacKAY : It is very doubtful, I should think, if there would be enough of a market in the Maritime Provinces to support any substantial factory of that size.

THE CHAIRMAN : We heard quite a bit about that.

MR. MacKAY : I know, we have heard through the years, that has been mooted very many times and we think the fact is that the factories that are at the present time operating in the Maritime Provinces, most of them find it necessary and essential for survival to ship their products to the central provinces. It might be done, there might be some very small factories in the Maritimes.

THE CHAIRMAN : This was made quite a point of when we were down there, that is the development of the regional market and I wondered if you shared the view that was expressed to us that that was enough.

MR. MacKAY : We do to a limited extent, Mr. Chairman, but only to a limited extent. We don't think that would solve the problem in any way. I think you agree, don't you?

MR. MANN : Yes, Mr. Chairman, there was a rather interesting exchange of views in the Press which might have come to the attention of the Commission.

There was a statement attributed to Mr. R. W. Ganong, who is President of the Maritime Atlantic Province Council, that is the Council favouring the erection of what you might call a freight rate wall between Central Canada and the Maritime Provinces, and I thought something like this might come up, and I have both the initiating quote and Mr. Ganong's report on / ^{such} competition which is as Mr. MacKay has / ^{quite} rightly pointed out, quite feasible and possible rather that a small scale industry would find it advantageous to work under the protection of a high freight rate wall, I am thinking particularly of a secondary industry that might have a limited local distribution, but any other manufacturing concern pretty well in competition with the large scale mass production communities elsewhere will find it difficult to produce at costs that are competitive with somewhere else.

MR. GRAUER : Wouldn't that work if there were no freight rates at all? Wouldn't it be convenient to have your plant nearer the communities of Ontario and Quebec where your market is and distribute to that market?

MR. MANN : It would be. I mean the industrial conglomeration has been in Ontario and Quebec. We have not. But these people certainly find it not too difficult to ship into the Maritime markets and at production costs that are perhaps lower than could be achieved in the Maritimes.

MR. GRAUER : And from the Maritimes to the Central Provinces it is chiefly specialized products that go there?

MR. MANN : Pretty well. When it comes down to everything we are mainly producing bulk primary products. What few specialized industries we have do sell to some extent in the central Canadian markets and we submit must sell in those markets because even the most optimistic population forecast -- I think an estimate was given to your Commission of an increase by 1971 of roughly 500,000 people in the four Atlantic Provinces -- that does not provide much of a market. It provides a little relief and that is what Mr. MacKay had in mind, but it does not take the place of a compact market in Central Canada which we submit we need.

THE CHAIRMAN : Then, Mr. MacKay or Mr. Mann, on page 18 you refer to the trucking operations, ancillary trucking operations by the railways, and you say:

"It would not be unwarranted to predict that the trend towards increasing provision of such ancillary trucking services will continue, unless provincial truck licensing policies are designed to restrict railway owned highway vehicle operation."

What are your views on that subject? Are you for or against railway trucking operations?

MR. MacKAY : I am for local distribution but definitely against long haul trucking and I don't think it would ever be intended, I don't think the railways would even consider such a thing.

THE CHAIRMAN : There are no substantial

quantities of goods produced in the Maritime Provinces that would lend themselves to being moved long distances by truck, are there?

MR. MacKAY : Well, fish products, they must of necessity, due to the slowness of the freight rail movement, they must of necessity fairly well be handled by truck.

THE CHAIRMAN : Are they trucked to Montreal?

MR. MacKAY : They are trucked, a lot of them are trucked to Montreal and they go over on the new boat to Bar Harbour and on to New York and others are trucked over the road.

THE CHAIRMAN : But as far as Montreal?

MR. MacKAY : As far as Montreal and even Toronto and the American centres but more particularly to New York and Boston. I think you have some facts of those?

MR. MANN : I have not got any figures here but there has been an appreciable growth which is relatively new and it has made a great difference in the fast and efficient transportation^{of}/fish products particularly.

THE CHAIRMAN : Apart from the speed, how do the costs compare with rail shipments?

MR. MANN : Well, Mr. Chairman, we have some figures here, I think we make a statement, if you bear with me for one moment, we make a statement at a passage in our brief on page 27 we say that the use of the motor truck service has intensified over long

distances in Canada since the railway strike of 1955 and we have got some information, admittedly incomplete, to show that there are a fair amount of operators now going from and to the Montreal territory. Now the rates, we took off some figures here, I don't want to burden you with the details, but in many of those cases, the rates on shipments between say Toronto and Hamilton on the one hand and Moncton, Saint John and Fredericton on the other are more than comparable door to door rail rates. If you want me to I could easily --

THE CHAIRMAN : No, no, I think the general information is sufficient.

MR. MANN : I will give you one example. The first class L.C.L. shipment made from Hamilton to Saint John by truck, the rate we have is \$2.65 a hundred, the rail charge would be \$2.77 first class, plus 12 cents cartage at Hamilton plus 12 cents at Saint John, making a total of \$3.01. It is quite a substantial difference.

MR. MacKAY : There is another factor, Mr. Chairman, that I just want to mention in passing and it must not be overlooked, and that is the fish people are obliged due to the delay, if they depended entirely on rail transportation many of their shipments would not arrive in first class condition. Now, these men drive day and night and they get to New York inside of two days from the time the fish comes out of the water and it is impossible under present conditions to ship by rail.

THE CHAIRMAN : I can well imagine it would not be to New York, but as far as the central

Canadian market, if rail service was faster, would that be an appropriate way to ship fish from Halifax to Montreal?

MR. MacKAY : I think probably it would from Halifax. The Ocean Limited leaves at 10.00 o'clock in the morning and reaches Montreal at 7.00 the next morning, so it is about as fast.

THE CHAIRMAN : That is when the train is on time, I suppose.

MR. MacKAY : Well, that does not mean that 30 hour delay that happened last week.

MR. GUSHUE : I understand from your submission that you claim that the Atlantic Provinces or the Maritime Provinces are suffering from the horizontal freight rate, the increases that have been established, and that to some extent, perhaps to a large extent, this has been overcome in the populous central parts of Canada through the medium of agreed charges.

MR. MacKAY : Agreed charges, that is correct, sir.

MR. GUSHUE : Are those used at all in the Atlantic Region?

MR. MacKAY : No -- to my limited knowledge, to a limited extent. They are used for potatoes I believe from P.E.I. and from one or two other places.

MR. MANN : Yes, there is one agreed charge on potatoes from Prince Edward Island and just as I left I got another agreed charge announcement in on building products from Montreal to Saint John. But they are by no means extensively used. -- But it is not only agreed charges but the fact that you have in the

central provinces due to the intense competition between carriers and the system of competitive rates which we have submitted to you, has tended to have central Canadian rates find a level that is below the general authorized percentage increase of 98.12 per cent. It is our contention that the increases authorized since 1948 have not been applied in full to the area of Canada that is carrier competitive, whereas the non- competitive area has felt it almost to the full extent.

I have an example here of the workings of horizontal increases if you would like me to give it to you.

MR. GUSHUE : Yes, I think it would be interesting.

MR. MANN : This illustrates merely the workings of the horizontal increase on a company. This company manufactures wall plaster and is located in Nova Scotia. Their rate -- I won't burden you, if you want me to get the rates I can do it later -- but the price of plaster I understand from this company is the same today as it was in 1948, namely, \$16.50 per ton. Maybe your Commission wants to note that as an outstanding example. The price appears to be the same in 1956 as it was in 1948. This price of \$16.50 per ton is F.O.B. Caledonia, Ontario, the major producing point of wall plaster. Under the 1948 freight rates the delivered price at Toronto of a ton of hardwall plaster was \$16.50 plus a freight of \$1.90, making a total of \$18.40 per ton. This of course had to be met by the Windsor, Nova Scotia

manufacturer, whose freight per ton at that time was \$6.00, leaving him a net per ton of \$12.40.

Looking now at the 1956 picture, the rates-- not the 1956 rates, the delivered price at Toronto from Caledonia, Ontario, of a ton of hardwall plaster is again \$16.50 plus freight of \$3.60, the \$3.60 embodying the increases since the War, making a total of \$20.10 per ton.

The Nova Scotia manufacturer if he were to meet this price would have to absorb a freight to him today of \$11.80 per ton, leaving him a net of \$8.30 per ton on hardwall plaster. Now, I know very definitely that this manufacturer cannot produce a ton of hardwall plaster at \$8.30, and the result of this process has been that he has been forced out of the Toronto market altogether -- out of a market by the way in 1948, and this is a small company, where in 1948 he sold 50 carloads of hardwall plaster. Now, his freight per ton has gone up from \$6.00 to \$11.80 or by \$5.80. His competitor's freight at Caledonia, his competitor's per ton cost has increased since 1948 from \$1.90 to \$3.60 or by \$1.70. His increase has been \$5.80, his competitor's has been \$1.70.

Talking again about this high freight rate wall and the ability of Maritime industries to survive behind it, actually I understand from this company that the Maritime market today absorbs merely one-third of his production, that is all.

MR. GUSHUE : Where does the other two-thirds go?

MR. MANN : The other two-thirds he can

sell at a reduced profit in the nature of including the freight, in a part of the market in Quebec. But he has been definitely forced out of the Toronto market.

MR. GUSHUE : What is the total volume of production now compared to 1948?

MR. MANN : I don't think I have those figures, sir, but I would be delighted to get them. Would that be of any help?

MR. GUSHUE : It would be just interesting to see. Sometimes the whole country goes ahead, so that today even if he is not selling to a specific market, his volume is still up.

MR. MANN : If it would be of value to your Commission I would be delighted to get that.

MR. GUSHUE : No particular value, it would be of interest to me. Thanks very much.

THE CHAIRMAN : Well, thank you very much, Mr. MacKay and Mr. Mann.

MR. MacKAY : Mr. Chairman, if we may be permitted, we have some very brief supplementary observations which I would like Mr. Mann to pass on to your Commission.

MR. MANN : I understand the schedule is crowded this afternoon but I won't keep you more than two minutes. This arose out of statements made to your Commission by our railway friends with regard to the desirability generally, we say, of relaxing the regulatory framework, and a very explosive subject this has been. I have filed ^{these} supplementary observations with Mr. Lapan and I don't intend to read them.

All we point out is simply first, that the problem in this country has grown up not purely as an economic force, but it has had an integrating role in the country, it has had a role which needs to be taken into account when comparing our regulatory system which has grown up under this historical connotation, with regulatory systems somewhere else.

We have quoted in our supplementary observations a short summary given by the Turgeon Royal Commission of 1949 on what could be called the elements of a national transportation policy which show quite clearly that Parliament has always had an interest in certain transportation problems, and that the very Terms of Union of the various provinces indeed thought transportation a very important factor.

There has been a trend in the United States, particularly since the publication of the Weeks Committee report on Deregulation, and we refer to it in our supplementary observations, towards the advocacy of deregulation. That trend has been apparent in Canada as well and appropriate submissions have been made to you.

All we want to say is this, that one of the approaches to deregulation suggested to your Commission on the deregulation of railways, recommends that a distinction be made between the application of regulation on competitive and non-competitive traffic, and the latter category is defined as that which, for one reason or another, is tied to the railways.

I might point out this approach was patterned, at least we think it was, after the revision in the regulatory framework which was made in Great

Britain by the Transport Act of 1953. Now, in all humility, Mr. Chairman and Commissioners, we want to point out this, that when one looks at the British transport environment one deals with a transportation environment that is entirely different from that which we have in Canada.

This Commission submits most respectfully that the adoption here of practices which have been found workable elsewhere is of doubtful merit unless such practices have been fully tested against inherently Canadian transportation conditions and against the criteria of public policy with regard to transportation.

It is our suggestion that the proposals for deregulation, they may have merit, they should be approached most cautiously and it should be borne in mind that our railways at this stage already have means at their disposal of dealing with competition which are, for instance, not available to the United States counterparts. Thank you.

THE CHAIRMAN : Thank you very much.

Thank you, Mr. MacKay.

I think this is the hour of the day when people need a smoke so we will take five minutes off.

--- Recess

--- After recess

THE CHAIRMAN : Mr. Chisholm, we will mark your brief Exhibit 238 and if you are ready we are all set to receive it.

MR. CHISHOLM : Mr. Chairman, since you are a little pressed for time, with your permission

I think I will just skim through this and mention a few main points so as to leave some time if you like for discussion. In this brief we are offering some comments on one single element of the economic processes of the country and we are not attempting to cover any broad economic policy which has been so ably dealt with by a lot of other briefs. Our story does however cut across a good many industries and has a fairly broad base. The only purpose we have is to place before you in your complete study something on one segment of the economy which is not always understood and we are not asking for subsidies of any kind but simply a recognition in the scheme of things.

THE CHAIRMAN : No causeways?

MR. CHISHOLM : No causeways in this brief.

We will skip through page 1 if you please to page number 2 and I will just read that one page and then skim on.

In order to obtain a proper perspective, it is pointed out that in the 1951 census a population of 14,009,429 was recorded which was divided approximately as follows:

44.04% in or adjacent to places with a population of less than 1,000 each, and the balance, of course, in other areas.

Actually, there are only 34 places, widely scattered, with a population of 30,000 and over, which places account for 31.43% of the total population while 876 places from 1,000 to 30,000 account for 24.53% in all 55.96% of the population.

This population was served in 1951 by:

151,626 Retail Stores

26,167 Wholesale

37,021 Manufacturers.

First of all you see that sales at the whole-sale level far exceed retail sales which is not generally known. They also exceed the combined total of exports and imports, approximately \$8,000,000,000, and clearly indicate the leading position of the wholesaler in our economy.

For each wholesaler we find 5.7 retail establishments and 1.4 manufacturers, while there is one retail establishment for every 92 people, one wholesaler for every 535 people and one manufacturer for every 378 people.

The average sales per retail establishment were \$70,257 and per capita of population \$760.

On the next page in the third paragraph we give the U.S. figures showing the retail sales average of \$75,538 per store and the per capita \$1,177.

Now, in the second half of page three we have some facts on manufacturing.

Then skipping over to page 4 we deal with retailing and I would like to pick out three figures only in the second half of page 4. Of the total retail sales 16 per cent is handled by chains; 8.5 per cent handled by departmental stores and about 75 per cent handled by the regular retail trade.

Out of total retail sales of \$10,652,779,800, thirty-four towns of 30,000 or more people with a total

population of 4,404,048 accounted for 48.95% through some 49,325 stores. That leaves approximately 4,195 business centres and adjacent places, in all about 10,000, with an estimated population of 9,600,000 served by 102,301 stores. As a matter of fact some 56,000 stores in places of 1,000 people or less have a combined population of more than 6,500,000.

MR. GRAUER : Where would the so-called suburban shopping centres come in there?

MR. CHISHOLM : I believe that -- of course this was 1951, I am afraid the suburban shopping centres were not an important factor at that time and I suppose if they are recorded, they will be recorded by the City proper definitions and it remains to be seen how that will be dealt with, I suppose.

On page 5 we deal with wholesaling, after skipping through manufacturing and retailing. The first set of figures there you will see various types of wholesalers, of which wholesalers proper are just the first type, but they represent 5,000,000,000 out of the total of 15,000,000,000.

Then the next group we pick out that group called Wholesalers proper and we break them down into various groups of wholesalers proper.

Then turning to page 6 there is just a little, one figure I would like to draw to your attention there, that is the third item, Manufacturers' Sales Branches without stocks. Those are included in wholesale figures and they represent a relatively -- well, it is an important part but it is not a major

part of the business and that is a kind of business handled without stocks and not what you might call wholesale proper.

Skipping on to the bottom of page 6, this shows the wholesalers proper and manufacturers' branches and agents and brokers compared in a number of different trade categories, bottom of page 6. Automobiles, for instance, are a sizeable item. Chemicals and Drugs -- take a look at the bottom of page 7 you will see the distinction between wholesalers proper and manufacturers' branches. Electrical Goods you will see that the manufacturers' branches are far more than the wholesalers proper. Food Products the other way around, the wholesalers proper are far more than manufacturers' branches, and so on down the line. Groceries and Food Specialities you will see the wholesalers proper are important; and lumber and building materials and so forth. These figures are startling to some people who had thought, as I was brought up to think in my college days, that the wholesaler was through 50 years ago.

Now, moving on to page 8 at the bottom of the page there is one little table there showing a breakdown of sales by wholesalers proper and branches and so forth, and the only point we want to make there is that the sales by wholesalers proper are larger to retailers, and to put it another way, the sales to retailers in this category are largely handled by the wholesalers proper.

Moving on to page 9, the middle of the page, let us look at Investments. You will see the

stocks and the accounts receivable, the wholesalers proper with 1,111,000,000 manufacturers' sales, offices and branches at 521,000,000, agents and brokers relatively unimportant, and carrying a good deal of consignment stock. This shows clearly that wholesalers proper are maintaining stocks in order to facilitate shipments to their customers while extending credit in substantial amounts.

Page 10 is the double page spread and there are just a couple of figures that I would like to draw to your attention, that is in the total at the bottom of the page showing the number, the gain in number of establishments and the gain in total sales from 1930 to 1951, the only years' figures we have available. It shows the number of manufacturers has increased 63 per cent, sales 399.7 per cent. All wholesalers have increased by 90 per cent and sales by 330. Now, that is all corrected in figures now available which shows the figures have now been changed by D.B.S., and that 90 should read 99, but it does not change the impact of this story, as the sales volume is 370 per cent instead of 330. Merchant Wholesalers, that is merchants proper, there is no substantial change there, 105 per cent and total sales 394. And then there is the surprising figure of retailers having increased only 22 per cent with sales of 290 per cent.

Moving on to page 11, I would just like to read a couple of paragraphs, the second paragraph there.

Distribution direct by producers under such circumstances becomes too costly in smaller

localities which, nevertheless, serve a substantial part of our population. This difficulty the wholesale method of distribution overcomes by consolidating the products of many producers under one roof, in central locations, from coast to coast. And it shows Appendix A and if you would just turn to the last column for one quick glance at that cobweb, that is the last page of the brief, and it is a very vivid picture of what happens by distribution by commodities through wholesalers or by distribution by manufacturers direct to the retail trade.

Turning back to page 11, in the drug trade we find many orders embracing the products of various manufacturers. For instance an order valued at \$2,131.73 covered 214 items produced by 93 separate manufacturers, an average of \$22. 92 per manufacturer.

In the general wholesale dry goods and apparel field, we find -- you will see several orders there. The last one for instance, 2000 represented 100 manufacturers with an average per manufacturer of \$20. And we have another one there Groceries, for instance, of \$1598 for one order, this represented 98 manufacturers or \$17 per order. The extraordinary close comparison in all the different trades.

The last paragraph on page 11:

These figures also show that the expense would be very heavy for a producer to solicit all such business direct for the approximate cost of taking an order, \$7.00 to \$10.00, would be excessive. Besides, the retailer would have no time to attend to the selling end of his business if he had to interview one hundred

travellers, and so on.

Moving down to the bottom of page 12 dealing with the costs and profits and efficiency. Wholesalers' operating costs are an important factor in the movement of goods from the producer to the consumer. The following figures for the year 1951 of essential consumer products are interesting. It shows gross profits running from 7 to 20 per cent, Operating Costs running from 7 to 13 per cent, Profit running from 1 per cent to 6 per cent and Turnover running from four times to ten times.

The top of page 13. When you allow for income tax, the modest return on the sales dollar is relatively small for the work and risk involved. Moreover, these figures in certain fields compare very favourably with those in the U.S.A. and Great Britain. It is interesting to note at this point that these costs compared with other forms of distribution have been recognized just recently by three important Canadian manufacturers, three brand manufacturers in Canada: Heinz and the C.P. Division of Canada Packers and Lyons Tea, have all reverted to substantially greater distribution through wholesalers than in a great many years. Naturally we are waving a flag over that one.

Naturally, wholesalers are vitally interested in the welfare of their customers. Not only do they supply them with merchandise, but many of them give assistance in financing, store modernization, merchandising, advertising, book-keeping, personnel training.

Under the keenly competitive conditions now existing, retailers need guidance,

which is the subject of constant effort, on the part of progressive wholesalers, to supply.

That such help is often needed can be seen from an analysis of the business failures, which numerically are the largest in the retail field, for more than 90% are due to lack of business experience and know-how in one form or another.

And now the Conclusions at the bottom of page 13: In order to move goods from the producer to the consumer, certain fundamental operations are absolutely necessary. Goods produced in quantity, to take advantage of lower costs of production, must be broken down into smaller units before reaching the consumer or user through the distributive trades, with the attendant functions of warehousing, storing, assembling, shipping and financing. Units required can and do become too small for profitable distribution by the producer to the point of contact with the user or consumer and it is the function of the wholesaler to combine the products of many producers and supply the retailer with the required quantity, on demand. This is an integral part of our distribution system. In so doing many of the advantages available in urban centres reach the more remote areas at reasonable cost.

No system has yet been devised to short-cut these necessary procedures and in the retail chain store field the warehousing of goods and the break-down into smaller quantities is a primary part of their operation.

It is not a question as to whether or not

this essential operation should be done but rather who can do it at the least cost in the best interests of the user or consumer and the development of Canada. Wholesalers have maintained and improved their position through the years because they offer a practical and efficient solution to the problem. And at this point I would like just to remind you of one instance in the presentation of Mr. Edgar Burton, President of Simpsons, an organization that should not require the ^{use of} wholesalers and therefore would not carry a brief for wholesalers, you would expect. He says:

"Because of our special distribution problems in satisfying the Canadian consumer in widely separated parts, the wholesaling function is bound to be an integrate part of our distribution system for many years to come. Many small retailers in towns and villages across our land need the wholesaler not only for their supply of merchandise, but also for the great assistance the wholesaler gives his customer today in sales promotion, fixturing, display, accounting, and in many other ways."

Back on page 14. The great middle class, which is the backbone of any democracy, is typified and supported by a large number of small independent retailers across Canada who still account for approximately 75% of the total sales at retail. Such retailers have

played a particularly significant part in our growth and, supported by wholesalers, will continue to do so in the future. Their modest operating expense, as compared with the growing expense ratios of urban organizations, enables them to provide essential services at reasonable cost to the consumer and fill a real need in the community.

With large territories still to be developed, it would not present a very bright outlook for Canada if our retail friends, supported by wholesalers, did not continue to follow new developments, no matter where they may be located.

Wholesalers throughout Canada are proud of the part they play in helping to balance production, distribution and consumption thereby supporting a sound development of the Canadian Economy. They have been a dynamic segment of our economy in the past and will continue to be so in the future.

The wholesaler has been able in the last decade recorded to maintain his position in relation to the growth of population, labour force, gross national product, and net national income, and looking to the future we see evidence to indicate that that trend will continue. Thank you.

THE CHAIRMAN : Thank you, Mr. Chisholm. I think we are very conscious of the fact that it costs a great deal to contribute goods not only in this country but everywhere. But the department store people who appeared before the Commission told us that in their field about 33 1/3 cents out of every consumer's dollar is required to pay for the costs of the

department store. If you added freight and all the other items that could be included under the total cost of distribution it would add to quite a bit. In the case of super-markets, food super-markets particularly, Mr. Steinberg, who had been able, or should have devised ways and methods of reducing costs to quite a considerable extent, including getting the customers to do their own work and do their own walking, which is quite something, Mr. Steinberg told us in Montreal that in the case of his stores the percentage was about 17 per cent as against 33 in the department stores generally. Now, in your brief you have indicated the gross profit percentages in various wholesale fields which are considerably lower than the department stores, as one would expect. But when you add the retailer's costs to your own costs they presumably add up to a pretty substantial total again. Do you see anything on the horizon which might mean lower costs of distribution in the future or are they likely to increase as a percentage of the total sales dollar? I am speaking very generally but in the areas which you as wholesalers deal in, do you think that costs may go down or may go up?

MR. CHISHOLM : Well, there is really no evidence that I have found in recent years to suggest reduction in distribution costs at all, either in department stores, chain stores or in any other form. Dealing with your point of comparing retail operating expenses in the departmental stores and in the super-markets with the wholesalers, you see, if you added the wholesale figure to the independent trade, you would

expect it to be a little higher at these so-called high costs of the retail operators, which is probably true. However the point that has to be added, to be remembered, is that it does cost more to distribute small parcels of goods in very small stores through many communities throughout the whole nation probably per dollar than it costs Mr. Steinberg in any of his centres where he has a huge business concentrated under one roof in a very, very big metropolitan area, and therefore it is awfully difficult to compare the two things.

THE CHAIRMAN : Well, I was not suggesting that we were. I didn't mean that.

MR. CHISHOLM : No.

THE CHAIRMAN : I don't think people sometimes when they are worrying about the initial cost of a product are always conscious of the fact that in total the cost of distribution make up such a big percentage and I was wondering whether you thought there would be reductions. You say no.

MR. CHISHOLM : Well, it is a very important question. I would like Mr. Porteous to have a word on it.

THE CHAIRMAN : Of course, in the case of food distribution, the super-markets have brought the costs down quite substantially, have they not?

MR. CHISHOLM : Yes, somewhat and the wholesalers have in some degree too. And we have a section here on food distribution. Mr. Lumbers is here, perhaps he would have a word on that and since it is an important point I would like Mr. Porteous to

say a word on it. It is not included in our brief.

MR. PORTEOUS : Mr. Chairman, that is a problem that wholesalers have been dealing with in years, and with the wholesale textile field, which is my particular field, we have approached it under the retail selling price, reduced down to a point where the retailer that we deal with can get a reasonable profit. In other words, if the retail sales price is \$1.98, we come down the scale until we fit into the picture and many cases operating costs have been reduced and over a period of ten to fifteen years they show very little variation in these figures that you get here. Of course when you are taking averages, they are taken from the Canadian Annual Report, some of the wholesalers operate on a closer margin, but you must also remember in these small towns there are all kinds of retailers that operate as low as $12\frac{1}{2}$ per cent and when we work under these close margins that you see here in the textile field, we can fit in, in those accepted retail selling prices, not the marked down special sales that you see. Now, in regard to the future there are methods coming up in the wholesale field that are expected to reduce the cost of operation.

THE CHAIRMAN : Would you like to tell us something about these methods?

MR. PORTEOUS : Well, Mr. Steinberg, as you know, is pushing the cost up on to the consumer, they are sharing his cost with him. Now, contrary to what you might expect, the small retail stores fighting many of his large operations are not losing out because they are still continuing the sphere of service

which has an appeal to certain classes of people. And in the particular area where I live in Montreal there are two or three small stores right around a big Steinberg store and they are doing an increased business because it is bringing more people in the area, but they are giving a service which the customer is able to pay and willing to pay for. Now, with regard to lowering the cost of operation in the wholesale field I think Mr. Lumbers can give you a better explanation of that particular feature than I can.

MR. LUMBERS : Mr. Chairman, in the grocery field the wholesale distributors have spent a considerable ^{amount} of time and a considerable amount of money on research to do what they can to reduce operating costs. Our own company had roughly 1700 retail outlets in 1947 and as of the present moment we have 263. During that time our volume has approximately doubled. Our operating expenses have gone down by almost a third. Now, this is not because of our own efficiency, a great deal of it has been brought about by the increased efficiency of the retailer himself. You can readily see that if we service a retailer with all his requirements and by that we mean his total requirements, at least every product that he can purchase from us, if he will buy from us, that it cuts down some of the dead weight that Mr. Chisholm has spoken about. We have run some tests just recently, we use I.B.M. billing equipment and I only speak about our own company, but that is typical of many wholesalers also -- we have been running some time studies of the cost of assembling various size

orders. Just in the last two weeks we ran a test through on an order of 1500 and some odd dollars with 383 units of merchandise and we ran 15 orders that totalled within a few dollars of the same figure and the total time consumed, man hours consumed in assembling those orders was exactly one-third the amount for the 1500 dollar order that it was for the small orders.

Now, these smaller accounts we feel it is essential to have these people concentrate their purchases with one wholesaler rather than split their business. The corporate chain stores do a function of the wholesale field as well as the retail field, they buy their merchandise from their own wholesale plant and in order for the retailer to compete with these corporate chains it is essential that we eliminate those unnecessary steps that the chains have already eliminated.

From the point of view of competing we have and I have seen retail operating statements from retail stores which are winding up with a net profit of anything from 3 to possibly as high as 5 per cent selling merchandise within a cent or two of the corporate chains and buying brand merchandise from a wholesaler.

I don't think I can add too much to that unless there are any questions, I would be glad to answer them.

THE CHAIRMAN : These super-markets, the food super-markets, are they likely to branch out into some other types of merchandise?

MR. LUMBERS : Well, they are into almost everything they can possibly get into now and

I think that part of it is due to the low gross mark-up, they are beginning to become a little bit worried, they build some of those stores so large they are required to fill the shelves and they cannot always fill them with food, stores that have upwards of 20,000 square feet, it is not always easy to fill with food.

THE CHAIRMAN : In Montreal they can sell beer.

MR. LUMBERS : Not in the super-markets.

THE CHAIRMAN : I don't think beer is in the super-market.

MR. LUMBERS : No. That is largely because Cash and Carry beer the consumer would prefer to have it delivered to their home rather than carry a case of beer. I know in the United States that they are experiencing at the retail level a fairly great development. In some localities they are doing the large share of the business, out-selling the biggest chains in their particular areas.

THE CHAIRMAN : Thank you very much.

MR. CHISHOLM : Mr. Chairman, if I can just add one comment on your question. There may be an occasional exception to this in the food field but by and large surprisingly enough the larger the retail outlet the higher the cost of doing business percentagewise, it is a paradox and it seems to be true throughout United States and Canada, the larger the store and even in some of the super-markets which Mr. Lumbers has pointed out, they are searching for other lines like textile lines in which they can get a higher gross profit

because of the cost they have in operating these larger stores. This is part of our increase in the standard of living, you can say it is part of the public demand, they demand service, they demand something that we used to have to tender in say five colours, we now tender in 29 colours. Well, it costs more to distribute 29 colours than five, to take a perfect example of what happens when the standard of living increases.

MR. GUSHUE : On page 13 you refer to an attached bulletin of the Research Division of Dun and Bradstreet. Has that been omitted?

MR. CHISHOLM : Copies were sent in but we have other copies. Here are a couple of copies of it anyway.

THE CHAIRMAN : Well, thank you very much, Mr. Chisholm and Gentlemen. We are interested in the costs of distribution and thank you for your contribution in that regard.

MR. CHISHOLM : Thank you for letting us appear here. And may we say that we think this work your Commission is doing is not only making a very valuable contribution to the country but it is also extremely valuable to us, all of us in our own industries, in forcing us to have a good hard look at where we are and where we are going. Thank you very much.

THE CHAIRMAN : Mr. Morris, we will mark the submission of the Labour-Progressive Party Exhibit No.239. If you would like to proceed we are all ready.

MR. MORRIS : Thank you, Mr. Chairman and Mr. Commissioners. We have submitted, as you know, some time ago our brief with 13 sections and 14 appendices which contain a number of economic studies in some detail and I should like to give the highlights in our submission today of our brief and generalize somewhat upon the conclusions that we have come to for the information of the Commission.

We are very glad to appear before you today to discuss our submission and we should like to say that the Labor-Progressive Party considers that your enquiry into Canada's economic prospects is most timely and is of importance to every Canadian.

Canada's people, we feel, are proud of the economic progress this country has achieved since Confederation.

Our country today is a growing economic force in the family of the world's nations, by virtue of the labor, talents and achievements of her people and her tremendous natural riches. The present boom is, however, of a temporary nature and in fact arises from those very factors which make for crisis, such as the Arms program and other factors. For the continued prosperity of our country, new national policies in keeping with new conditions are required to guarantee that Canada's economic development during the next fifty years, let us say, will make our country a truly great nation. The possibilities exist for the Canadian people to completely fulfill the dream and aims of the Fathers of Confederation.

Your Commission deliberates at an historic time when, as the July 1955 Geneva Conference of the Four Powers demonstrated, the nations and peoples have within their grasp the possibility to achieve peaceful co-existence, friendship and trade. That would mean the abandonment of war as a means of settling disputes between nations, the prohibition of the weapons of mass destruction, the step by step disarmament and a vast reduction of arms budgets. With such a prospect Canada could make enormous economic advances. In fact, Canada's foreign trade and domestic development can avoid present dangers only under conditions and the peaceful co-existence and peaceful competition of countries with different social systems.

To fully grasp the possibilities, and to cope with the problems and dangers facing Canada, our government must re-shape national policies to harmonize with, and to help forward, these new hopes and prospects.

Canadians, in their majority, consider that two dangers menace Canada's economic prospects; a third world war of atomic destruction and a recurrence of the terrible economic crisis of the 1930's.

There is a growing concern we feel among Canadians of a new danger -- the danger of American expansionism, which many look upon as the cause of the threat of war and one of the main sources of economic crisis.

Canadians want friendship with the Americans, but on terms of equality and mutual benefit. Briefly stated, "Co-operation ever, domination never!"

There is a growing national feeling that United States policy in relation to Canadian natural resources, trade and economic prospects is detrimental to the national interests of Canada.

We hope that the report of your Commission will contribute to the solution of Canada's great national problems and aid in setting a course that will steer our country clear from the dangers she faces.

In this submission to your Commission we put forward our views on the problems facing Canada and the way in which we believe they can be solved.

There is a striking historical parallel between the 1850's and the 1950's. In the middle of the last century the momentous question which Canada faced was, whether or not its people would wage a struggle to take full advantage of the historical possibility of developing an independent country, or whether they would capitulate to the very strong forces in commanding positions whose basic policy was to merge Canada with the United States in one guise or another. In the last century, the people compelled a decision in favor of national development. In the present period, they are likewise in movement to compel the adoption of new policies to ensure national development and Canadian independence.

As historical research into the formative period of the Canadian state becomes more diligent the picture of this historic struggle becomes filled in. We should like to pay a tribute to historical writers and researchers who are working and publishing in order

to construct a solid scholarship and to enrich the knowledge of the background of our country's development.

We too, I might say, have been engaged in this work for some time and have already published a number of articles and books on these matters, and are now engaged in the preparation of a People's History of Canada which will appear later this year.

As our submission points out, the relationship of Canada to the United States has been and continues to be the central problem of our foreign relations and of the strengthening of Canadian nationhood in all of its aspects. We are sure the Commissioners will agree that each critical point of our development, including the establishment of the Confederation of Canada itself, had at its centre the complex problem of Canadian-U.S. relationships.

That Canada today exists as a state composed of two peoples, English-speaking and French Canadian, is more than anything else a tribute to the resolution and devotion to their country's interests on the part of the people of Canada. People make their own history and that dictum is brilliantly illustrated in the historical fact that out of a veritable welter of conflicting interests and in the face of the presence to the south of an economy far superior in strength to our own, Canada won its independence from Britain and is at this dramatic juncture of history fully capable of maintaining its independence in the face of the drive of the United States expansionism against us.

It is in this sense, for example, that the

role of Sir John A. Macdonald, and before him the Mackenzie-Papineau movements, and since their time other political figures, correctly reflected the progressive, historical possibility of the independent existence of Canada. They voiced the deep-lying aspirations of the Canadian people. Other political figures, however, have been motivated and still are by considerations of retreat and capitulation before United States pressure as those which will serve their private interests at the expense of the national interest -- and so pursue the reactionary path of surrender and the acceptance of a lesser destiny.

We recall the episodes of a century ago -- the Annexation Manifesto of the Montreal merchants, and the Canada First manifesto of the young business men and intellectuals -- two occurrences in our history which dramatically epitomized the two lines of development -- for and against the existence of an independent Canada. Since then, and now again, Canadians have turned a deaf ear to the doubting Thomases.

And now, we feel a new force has entered the life of Canada. The striking appearance in the last half century, and more particularly since the first great war, of a modern labor movement means that a new social force has entered this situation and it is our opinion that the organized labor movement, with the farmers' organizations, make up that power which will ensure the continued development of our country as an independent state.

The submission to your Commission of the Trades & Labor Congress and the Canadian Congress of

Labor the other day, representing with their families one quarter of the people of Canada, is proof of this. They declare that Canadian organized labor stands for "a free, independent Canadian nation" and that this country -- its government, its industry and its unions -- should control its own destiny. They say that increased United States control of Canadian industries presents dangers to the Canadian economy.

We also make the point in our submission that the history of Canada as well as its present-day problems have in their very centre the existence of two peoples within Confederation -- of two nations -- English speaking and French Canadian -- whose fraternal unity, built on the basis of a recognition of national equality and recognition of the national and cultural interests of each, will constitute a powerful force for the maintenance in the future of the independence of Canada.

In our opinion these political factors are at bottom a reflection of economic questions, for the reason that unless there is a solid economic base on which national independence rests, that independence is weak and without a firm foundation. In the capitalist period Canada has developed an economy of strongly and widely developed ramifications, and it is this which has made it possible to organize the home market as a national market.

However, a deeper examination of our economic life and structure reveals that there are profound weaknesses in our economic foundations which can lead to the economic subjugation of this country by

the United States. Our submission points out that this danger, which has political and cultural reflections, falls into the following main categories:

(1) The relatively low development of our basic heavy industry;

(2) The marked tendency for our economy to become based more and more on the export of raw and semi-finished products, mainly to the United States; and the import from the United States of manufactured goods, capital goods and key industrial tools and parts;

(3) The vast expansion of United States capital invested in almost every field of the Canadian economy;

(4) The rapid decline of Canada's Commonwealth markets and the dangerous reliance of our foreign trade at present upon the United States;

(5) The harmful insistence upon a policy of rejection of world trade on the basis of mutual benefit and equality, particularly with the colonial world and the Socialist states who together make up the vast majority of mankind today;

(6) The evil consequences of this upon the living and cultural standards of the Canadian people, whose welfare cannot but be seriously harmed by what amounts to a crisis in our national development.

We point out that there are very realistic and accessible alternative to this policy, a policy which was quite consciously and deliberately adopted by the most powerful circles of Canadian industry; business and government -- but one which, we are happy to say, is

being challenged by larger and larger groups not only of workers and farmers, but also by those very business interests which a few years ago either were passive or in active support of the policy described by the present government as the "integration" of the Canadian economy with the United States economy. The alternatives that we propose in our submission are practical and realistic in the sense that they are in complete harmony with the changes that are taking place in the world and, since our proposals are constructed on the basis of peace, mutual interest and equality as between nations, could lead to the very quick growth of a wholly new pattern of Canadian foreign trade and Canadian industrial development.

May we say, with all respect, Mr. Chairman, that we must disagree with what you are reported in the Toronto Telegram of February 23rd last to have said in a speech before the Montreal Chamber of Commerce on February 21st that Canadians have to pay a price for their independence in terms of living standards that are lower than those in the United States, and as you know a number of leading newspapers have also expressed their disagreement with you. While you, Mr. Chairman, may not have intended to take a fatalistic view of our national development, the tone of your address, as reported in the press, gave that distinct impression.

I should like to quote, Mr. Chairman, what the Toronto Telegram ascribed to your speech as a direct quotation:

"We all know that the speed with which development and expansion have been

"going on in Canada during the last ten years would not have been possible without the help of American and other foreign capital and American know-how."

We would respectfully, Mr. Gordon and members of the Commission, take strong exception to that statement, particularly as regards the phrase "American know-how". We don't think it can be factually proved as a matter of fact, but more importantly as regards the perspective, the thinking, the subjective attitude to this country, we believe that most Canadians would quite instinctively question and take issue with that remark. I want to say that we make this polemical point with great respect to you and the members of the Commission.

THE CHAIRMAN : It is a free country.

MR. MORRIS : Yes.

In our opinion, economic possibilities for national development are not automatically transformed into actualities but require vigorous policies and enlightened leadership, the will and resolution to seize the possibilities and bring about the desired result. We feel that the people of this country, and especially those directly engaged in producing commodities in the factory, mine and on the farm, are convinced by their own experiences that the productivity of Canadian labor and our rich natural resources make up the primary ingredients of economic policies that can raise the living standards of the Canadian people to the level of those of the industrial areas in the United States.

The mention of course here to industrial

areas -- because I don't suppose anyone would suggest that our country's economy should be raised, for example, to the level of the State of Alabama or Tennessee or the South, obviously it is the industrial north which is used here as the basis of comparison, not the United States as a whole.

It is the fatalistic acceptance, under the guise of so-called "realism", of our inferior position with respect to the United States which facilitates the ownership and control of this country by predatory United States corporations.

Is this not clearly to be seen in the case of the Trans-Canada natural gas pipeline, and also with regard to the surrender of an all-Canadian St. Lawrence Seaway? Is it not to be seen in the suicidal policy of turning this country's enormous iron ore resources into a raw materials base for a foreign steel industry? Is it not also to be seen in the sacrifice of Canadian wheat export markets to the United States, whose give-away programs are a device at least in one sense to rob us permanently of our foreign markets for wheat?

Is it not also a fact that while the majority of people in the capitalist and colonial countries are under-nourished for want of basic foods, that the essence of the policy of the present authorities in this country with respect to wheat production is to curtail that production, as witness the refusal of the present government to co-operate with the Saskatchewan government to build the South Saskatchewan River Dam and so bring back into cultivation unused lands for

the production of food?

Is it not also true that the export of arms to under-developed countries on political conditions is of greater concern to certain people than the export of machinery to build new factories and food to nourish whole populations?

It is the very essence of our submission, Mr. Chairman, that it is the rejection of progressive policies of nation-building and capitulation before the pressure of United States big business and aggressive U.S. foreign policy which lies at the very heart of the problems of our economic prospects. As perhaps the majority of submissions to your Commission have said -- and they come from widely diversified sources -- unless this problem is faced and dealt with from the standpoint of the interests of the people of this country -- and not fatalistically accepted as "reality", the prospect is one of this country being pressed backwards into a position of complete subordination to the United States economy, with the consequent decline of our living standards.

Naturally the people of this country reject any such prospect, but rather are demanding and we believe will secure new nation-building policies.

As you will have seen in our submission, we make the case on the basis of the data so far available (and the statistical work of the Dominion Bureau of Statistics could be vastly improved in this connection we feel) that in every one of the manufacturing and extractive industries of Canada, as well as in agriculture, there is to be seen an increasing control by

the U.S. monopolies of the dominant heights of our economy of our country.

It is often said that the sum of Canadian capital investment outweighs United States investments; consequently there is really no danger of the loss of economic independence. While that may be formally true, industry and finance is of such a monopolistic nature and so interlocked and fused that once the dominant heights are held by even a minority of the total capital invested, the tune is called by the monopolies -- who have their interests and headquarters in the United States and look upon their Canadian representatives and fellow investors as their "colonial governors", so to speak.

One of the central theses of our submission is that our economy is ill-balanced and vulnerable because on the whole it does not produce its own basic means of production; and for this reason is at the mercy of the United States economy. We go on some lengths in our submission to show that in the basic steel industry, in the steel fabricating industries, in the machine tools industries, the training of technical workers and engineering staffs and the present-day ability of this country physically and technically to stand on its own feet are not nearly what it should be.

We are convinced that the national independence of our country (or of any other country) in the long run is as strong as its ability to produce the necessities of life. This means its ability to produce capital goods, the means of production -- in order to manufacture the abundant raw materials which lie to our hand.

Where stands Canada in this instance?

The Royal Commission will answer the main question bothering thinking Canadians if it deals with this. We sincerely hope that you will come to grips with it so as to stimulate the ability of Canadians to solve these problems.

As far as agriculture is concerned, it is becoming a backward industry as is shown in declining farm income since 1951-52, the shrinking of markets and the decline of the farm population. We cannot accept any prospect that Canada inevitably must surrender its marvelous agricultural abilities. What is necessary is that recognition must be given to the following:

(1) There is an expanding market for food-stuffs and industrial raw materials in Canada, which, if satisfied, could lift up the nutrition standards of peoples and develop new industries;

(2) Many countries in the world are only too anxious to import our food if they were not compelled to trade in dollars;

(3) Agriculture needs greater state assistance and national planning, to combat among other things the fatalistic acceptance of its decline which characterizes the present government's attitude to farming.

Our brief takes its point of departure from the proposition that, while the present private profit system is an obstacle to the rise of the living standards of the Canadian people, within the present profit system in Canada, so long as it will last, there lies the democratic alternative of the adoption of new

national policies that should be stamped by the prospect of serving the interests of the people of this country and which could curb the anti-national activities of the United States monopolies and their Canadian agencies.

A central point here is the historic fact that the present world is changing very rapidly, that nine hundred million people in thirteen States, including the Soviet Union and China, are out of the capitalist system and are building a socialist life in which production for profit has been or is being replaced by production for use. It is clear that we cannot have any prospect of economic advance until we cease the bankrupt and patently unworkable policy of looking upon the thirteen countries in the socialist market and the socialist system of states and their nine hundred million people, as being our enemies in terms of trade and economic and cultural exchange.

Further, India, Egypt, Indonesia, the Arab countries, the African countries, Burma and other great peoples are moving out of the Imperialist colonial system and are striving to build their own national independent economies. Colonialism is on the way out.

The Latin American republics are also continuing their centuries-old struggle for national independence and economic development and are in need of a new kind of trade that would not perpetuate their dependance upon some highly developed countries for their manufactures, but will assist their own independent development as producers of the things they sorely need to raise their living standard.

Present official Canadian policies work against the interests of the British Commonwealth of Nations. One of the most striking results of the United States orientation of the ruling circles of this country has been the weakening and virtual abandonment of mutually beneficial trade with Britain and the Commonwealth countries.

We propose that government responsibility for our national development must be assumed. The stimulation through public investment of Canada's basic industries and the mobilization of our full complement of industry, mechanical energy and manpower resources to adapt Canada to this changing world and establish a wholly new pattern of national development, is the obvious course towards true national greatness.

This means the active application of the principle of the peaceful co-existence of nations possessing different social and economic systems. Such a principle is the alternative to war and to the further aggravation of our economic position. A peaceful co-existence, Mr. Chairman, does not mean that the people of this country or its government are called upon to accept the principles of socialism; neither does it require that people of the socialist countries shall become admirers and supporters of capitalism. It is up to each to determine its own way of life. That is an ideological question which can and must be resolved without war. Ideological disagreement does not mean economic blockade. As our submission points out, the only foundation for trade and economic exchange is

mutually beneficial dealings, which in turn must be based upon respect for sovereignty and the non-interference of any country in the internal affairs of another.

We might say here in passing, Mr. Chairman, that if one wishes to find the source of interference in Canadian affairs he should not look to the Soviet Union but to the United States.

Peaceful co-existence has at its very heart the question of trade. It is not an abstract principle, but active and creative, which can increase the exchange of goods and, if these goods are of the right sort, assist each trading country to develop its own national economy.

The Colombo Plan, no matter what minor benefits it might bring to under-developed countries, is not a substitute for peaceful co-existence, nor is it anything but a formal approach to the real problem of putting the industries of Canada to work assisting the under-developed countries to build their own industries.

As you will readily see, this means the abandonment of the imperialist policy of looking to the under-developed countries as a source of high profits which are extracted from them at the expense of the development of their own native industries.

In our opinion, the policy of peaceful co-existence is the way to reduce the terrible weight upon the Canadian taxpayers of an arms budget which is not a means of national defence, but a stimulus to a third world war, an H-bomb war. We might say here, too, that the nature of the present military preparedness policy of the Canadian government is such as to surrender

sovereignty in military affairs, so much so that a Colonel Purcell -- (who I believe comes from Alabama) -- of the United States army is at the present time in command of Canadian Army-Air services in our Northern territories.

The economic consequence of the arms budget -- militarization of the economy -- is not of assistance to the Canadian economy, but a weight upon and a distorter of the economy, and the robber which is responsible for the loss of social services in Canada which would otherwise be made available to the Canadian people. And I might say, Mr. Chairman, the greater the social service the greater the stimulation of the home market. To spend two billion dollars annually on military preparations, especially for a country of fifteen million people, when so many social services need vast improvement, is to invite economic disaster, as our submission points out in some detail.

Therefore, in our view, the building up of Canadian heavy industry, the processing of a greater part of our raw materials in Canada, the provision of new jobs for our growing population, aid to agriculture, the increase of technical and scientific skills, and the liberation of this country from the economic and social consequences of the United States control and ownership of our natural resources and main industries -- in other words, the whole complex of domestic and external economic questions demands a foreign policy of peaceful co-existence and aid to the under-developed countries of a new kind, along with the restoration of our relations with the British Commonwealth markets -- plus a domestic

policy directed towards the vast expansion of our industries. Thus, policies designed to make Canada great in a world at peace embody our national prospects in domestic and foreign affairs in the most vital and fundamental sense.

Mr. Chairman, we conclude our brief description of our main arguments knowing, of course, that you have had the opportunity to read our submission and to at least look through the fourteen appendices on various aspects of the economy which we sent to you.

The Labor-Progressive Party is supremely confident in the ability of the Canadian people democratically to solve these problems and to regain the full control of their country. Whatever positive proposals your Commission can make will assist these endeavours.

May we say a word about our Party's vision of the future of our country? By the labors of the Canadian people who came from many lands to a hard and strenuous life in the early days, and who were seized by a dream of transforming a young country into a good place to live, we have grown from a pioneer, frontier land into one of the most developed industrial-agricultural countries in the world.

Canadian national democratic consciousness and pride are growing among all our citizens. It is the most hopeful sign and stands in ever clearer contrast to the interference of the United States in our affairs.

The democratic strength and unity of French Canadians and English-speaking Canadians won

independence from British colonial rule and defeated all past attempts of the United States to annex this country. We are confident that the people of the two Canadas will find the way to emerge from the present crisis of national development as masters in their own house. They will also insist, as they have in the past, that reckless and adventurous policies which can lead only to war, must be replaced by policies of world peace and trade. They are strongly in favor of the peaceful co-existence of the capitalist and socialist countries.

The democratic national consciousness of the people of Canada will be expressed in new political movements we are sure, which will gain a majority in Parliament and so set this country firmly on the path of true greatness. In our opinion, this path must lead to socialism, the apex of our evolutionary progress towards a society when the means of wealth production in Canada will be publicly-owned, the exploitation of man by man done away with and the basic economic law of society will be the satisfaction of the constantly rising material and cultural needs of all members of society. Production for use is destined, we are confident, to replace production for profit.

However, socialist opinions on the ultimate solution of our national and social problems must not divide Canadians in their desire to protect Canada from the consequences of the foreign domination of our economy. The main issue of today that is unifying Canadians of many different opinions is the replacement of present policies by the democratic alternative --

the all-sided development of our country begun by the Fathers of Confederation in 1867 and the control of all aspects of Canadian life by Canadians.

That, Mr. Chairman, is the summary of our submission and some of the conclusions in our appendices and I want to thank you for listening to me.

THE CHAIRMAN : Well, Mr. Morris, I notice some people have had their eyes on the clock so we will adjourn now until 9.30 Monday morning.

MR. MORRIS : Thank you.

MR. GRAUER : I cannot truthfully say I have read these appendices yet.

MR. SALSBERG : But you have a week-end in front of you.

MR. GUSHUE : We have many week-ends.

(At 4.50 P.M., the Commission adjourned
until 9.30 A.M., Monday, March 5th, 1956)

ROYAL COMMISSION
ON
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HEARINGS

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APPEARANCES

Mr. H. H. Hannam, President,
Canadian Federation of Agriculture,
Dr. E. C. Hope, Economist,
Mr. David Kirk, Secretary.

Mr. Lloyd Jasper, President,
Ontario Federation of Agriculture,
Mr. V. S. Milburn, Secretary-Manager,
Mr. Cecil Belyea, Economist.

Mr. E. Masse, President,
The Meat Packers Council of Canada,
Mr. H. K. Leckie, Secretary.
Mr. N. J. Henderson, Public Relations,
Swift-Canadian Company Limited.
Mr. N.C.Schneider, President,
J.N.Schneider Co.Ltd.

THE CHAIRMAN: Well, shall we come to order, gentlemen? Mr. Hannam, we welcome you to our proceedings and would like to say how pleased we are that Dr. Hope is going to be able to give the Commission a hand during the next few weeks and to thank the Canadian Federation of Agriculture for making this possible. It is the kind of contribution and help that we need and for which we are very grateful.

Now, if you would like to begin, we will mark your presentation Exhibit No. 240.

MR. HANNAM: Mr. Commissioner and members of the Commission. Dr.E.C.Hope, Economist for the Canadian Federation of Agriculture, is to be our witness this morning in the presentation of the brief and I propose merely to give some general opening remarks and then have Dr. Hope take the stand.

The Canadian Federation of Agriculture is the only nationally representative farm organization in Canada. It represents all phases of agriculture and all provinces except Newfoundland. We have not a unit

of our organization in Newfoundland as yet.

Through its member bodies and their affiliated organizations it represents 450,000 farm families -- and that is making due allowance for overlapping of membership. It amounts to about 75 percent of the total farm families of Canada. In its membership it includes direct membership organizations, marketing and purchasing co-operatives, commodity organizations and other rural societies. The factor common to them all is that they are associations of bona fide agricultural producers. That is, we say there is a place for all farmers in our organization no matter for what purpose they have been regionally organized. Its set-up and procedure is such that it is democratically controlled by its farmer members. Its policies are evolved and formulated after considering and co-ordinating the views of its farmer members at local, provincial, regional and national level by means of a thoroughly democratic procedure. In our brief we have attempted to point out the peculiar characteristics of the farming industry. We have attempted to evaluate agriculture's position within our economy at the present time. We have tried to indicate the nature and scope of the development of our industry during the next 25 years.

In the light of conditions and problems facing agriculture, we have set down our views in respect of policies which we believe will be needed to maintain agriculture in a balanced position in our economy --

To assure those families needed to man our farms a standard of living which compares favourably with those performing a service of comparable value to society and --

To enable farmers to adopt and practise soil conservation measures adequate to building and maintaining soil fertility as a vital national asset. Looking ahead, we want a prosperous, permanent and stable farming industry.

We want conditions which will be conducive to building a fine rural citizenship -- a farming industry attractive enough to hold its share of the best of our farm people. We prefer to see a continuation of the type of farm programme which is based on co-operative self-help procedures. We want farmers to receive equitable returns for their work on the basis of a fair exchange value for their products in the market place -- not on a subsidized basis.

Due to the nature of their industry and the instability which is inherent in it, farmers will in the future probably need a considerable measure of government assistance because they will continue to purchase on the basis of family farms, which means a very large number of free-enterprise producing units. Without special programmes these family farms will be at a disadvantage in dealing with large scale business corporations and in competing with large scale organizations of industrial labour.

The government assistance we have in mind will be that of co-operation and assistance in carrying

out programmes, more so than in providing any considerable financial assistance. Our farm price support programme is an example.

Where it is necessary to have a government-directed programme, it will be handled not as a government-dictated programme but rather as a service to a basic industry. These programmes will follow lines requested and supported by the great majority of farmers expressing themselves through their own voluntary democratic organizations.

Now, this refers more particularly to the subject matter in the brief. On the basis of the information assembled in this presentation of ours and the information provided by the conference of the International Federation of Agricultural Producers last fall, we do not see ahead trends likely to usher agriculture into an era of easily maintained prosperity. On the contrary, we see indications of trends which could prolong and even intensify economic difficulties being experienced by farmers at this time.

To illustrate this point I might mention the following -- and I am going to make a brief mention of seven points in the brief.

It is probable that the margin between what the consumer pays and the price the producer receives for farm products will continue to widen.

While the accumulation of surpluses tends to increase price instability for farm products, the pricing and wage policies of industry and labour have a tendency to increase the height and rigidity of farm costs.

Since the demand for food is relatively inelastic, the greater proportion of increased income will go into the purchasing of non-farm goods.

Our Canadian farmers have demonstrated their ability to produce beyond the needs of a strong domestic market and the requirements of whatever share of export markets are available to them.

World trade in farm products is lagging behind the ability of world producers to produce.

MR. GUSHUE: What was that again?

MR. HANNAM: World tradeⁱⁿ/farm products is lagging behind the ability of world producers to produce.

No encouragement is held out for any substantial expansion of world markets for farm products. On the other hand, producers and governments are likely to intensify their efforts to get a larger share of a market that is expanding slowly, if at all. In our International Federation of Agriculture conference last fall it was pointed out that general world trade has increased about 50 percent since the pre-war period of 1935-1939 but the volume of world trade in farm products is just about on the same level as it was in the pre-war period and there are not indications that world markets in farm products are likely to increase substantially. This would result in national policies tending to further restrict trade and to depress world market price levels for producers. That is, the more intensification of competition between producers and firms on the world market governs trading on the world market than govern

production of their agriculture at home. And lastly --

With farmers being unable to control their total volume of output and with a larger measure of free competition prevailing in the farming industry than in other major industries -- and I think we can add as well lower tariff census applying generally to farm industry than to others, -- the possibility of farmers finding world market conditions greatly in their favour is remote indeed.

In closing I would say our Canadian Federation of Agriculture is grateful to the Commission for this opportunity to present its views on behalf of Canadian agriculture. The fairly substantial brief we are presenting herewith is an indication of the importance and significance we attach to the work of your committee.

We hope and trust that the findings of the committee will give sympathetic consideration to the special character of agriculture and the special position of agriculture in our economy so that the Commission's report may serve as a valuable and much needed guide to the wise and balanced development of overall economic policy for Canada.

I would ask Dr. Hope then, to follow as our witness on the brief.

THE CHAIRMAN: Thank you very much,
Dr. Hannam.

DR. HOPE: Mr. Chairman and Commissioners what I will have to say will be a little bit of a hop, skip and jump through the brief amplifying pretty well what Dr. Hannam has said because I think he has given a

very good picture of the main trend of thought in this presentation.

We have tried to avoid being too dreamy about the future. We know that you are interested, of course, in 1980 and future prospects but we have not gone off the deep end or prognosticated all the possible details and ramifications of what may take place in agriculture. We have the feeling that you can predict those things for maybe five or six years but beyond that you can't predict what kind of machines or technology will be used in agriculture. Personally, I can't see more than a few years ahead and hope the things we have had in the last five years and in the next five years we will have 20 years from now as long as we have imagination in the case of inventors.

Farming and agriculture in the past, the present and in the future we see as an industry that is made up of small units and will continue to be small units. We don't see any possibility that there will be large collective farms dominating agriculture in our lifetime. We are more likely to have larger farms but still family farms, still run by mostly the father and his son, with a little hired help, more mechanization no doubt, and gradually becoming a unit with more capital involved in it. But the progress won't be particularly spectacular; it will be steady as it has been for many years. Our two main problems will probably remain -- the problems that have afflicted agriculture for a long, long time, and I think there are two basic conditions, phenomena in relation to

agricultural production and marketing that set us quite apart from the production and marketing of other industries and that is the low income elasticity of demand for food and the low price elasticity of demand for food. It is from those two basic things that most of our problems in agriculture spring and they are perhaps the most difficult things to try and get around.

Now, let us look first at the low income elasticity of demand for food. The man on the street calls this the size of his stomach, the limit of use of what is available. It is a little involved, but low elasticity of demand means that with a 10 percent change or increase in income you only tend to buy a very small portion of that increase in food -- 1.2 percent, they say. You can say then that even increasing yield as we have in Canada, and still continuing to have the possibility of increasing the per capita consumption of food will have far-reaching results in that the constant increase in our efficiency per capita in agriculture, especially in countries like Canada and the Western nations where we are always using our ingenuity to increase our productivity, to the extent that we increase our productivity we increase our food supply faster than our own people can take it.

Of course, if we had expanding export markets we would get away with it and in the past we did. When Canada was a young country we got away with it and when the balance of the west was opened up the vast quantities of wheat came out and in the 1880's and 1890's we were a heavy exporting nation of agricultural products,

not only in wheat but cheese, butter and bacon. But that time has gone and as we have tended to rely on the domestic market there has been what has been described as an almost chronic over-production in agriculture. That is typical of agriculture in western nations and therefore it requires for reasonable stability a fairly constant drift of people out of agriculture into city occupations.

Sometimes farmers will tell you they don't like that, they don't like to hear of it and yet if they sit down and think they realize that if we are going to have increasing efficiency that must take place and it has taken place in Canada as we are well aware. I often like to quote the figures for 1946 showing the great trend of people working on farms who have moved into city occupations. So that has been one of the problems. That is probably the basic reason why there is a long-time tendency for the net income of farmers to be on the average somewhat less than the net income of other people not on the farms and without that difference, of course, there probably would not be that real shift.

Now, the next thing which is the other basic problem is the instability of farm income which is not related to that first one necessarily. It is related to the low price elasticity of the demand for food; in other words, again it goes to this stomach business, that to encourage you to have more food of a special kind you are going to have a very big drop in price sometimes and that itself tends to cause a fairly high price structure for some agricultural products, more so for some than for

others -- in the case of one classic example, potatoes. They virtually tried to give potatoes away at retail level to get people to eat more potatoes. They kept cutting their rate of price and that put the price of potatoes down to zero at the farmer's gate. That happened over two or three years. It could happen in the case of wheat and bread if we did not have the Wheat Board. We will discuss that a little later with the Canadian Wheat Board. That is an industry with very little elasticity.

In the case of meat there is a higher price elasticity so you can get rid of more meat with a moderate drop in price at retail level but at least that shows that on a farm product like butter any changes in supply tend to reflect quite rapid changes in prices at the retail level and then a more violent change at the farmer's gate, as we call it. We can see very well if the price of farm products will drop, say, 25 percent from what is the normal average price and then two years later it goes 25 percent above normal the farmer's gross income can change very rapidly and his net can change very rapidly so you can see the extremely improbable situation is one of a high profit and a loss all within two to three years. If you take egg prices, you will find one day an egg farmer is very prosperous. Often 18 months later he would lose money wildly and two years later he would be on the top of the wave again. It is because of this price elasticity his future has been so irregular.

Now, that ties up with the cost of distribution that Dr. Hannam referred to. It stands to reason

if you look at the cost of distribution and compare the higher percentage of the retail price with the product under elastic demand you will have a very violent change in price at the farm from very low to very high and that is why we are concerned about the cost of distribution because we feel that we have some evidence to indicate that the cost of distribution has been gaining very rapidly in the last few years -- more rapidly than you would normally expect, and in seeking the reason for this we have tried to find out why should it be so. We have the chain store and modern means of merchandizing. Why shouldn't that be coming down? But we are inclined to feel that maybe the modern system of merchandising at retail level, for instance, has, up to a few years ago, done about as well as it can. The little corner grocery store, the butcher store and what not, went out of existence about 10 years ago pretty well and were taken over by the chain store. Great advantages and great improvements have taken place in food distribution at the retail level but we can't see over the last few years where there has been any further gain in retail distribution of food through the chain stores. Even the supermarket does not really increase the efficiency very much after all. It makes it more convenient for parking but where is the gain particularly in the distribution process? It has enabled these stores to pay higher wages for all their help and they have to do that, and as time marches on they will have to continue to do that.

We read about your evidence down at Montreal where all these electronic devices are going to make life

so easy we can sit at home and cook our food without touching it and it will almost eat it for us, but I think the Chairman asked Mr. Steinberg if he thought it would lower the cost of distribution of the food. I looked in the paper and I didn't find any answer. So I think even Mr. Steinberg would agree that that will not lower the price of distribution. These electronic devices have to be paid for, the servicing and the use of them and the whole cost of production is going to go up. These electronic devices will save some labour for the retailer, it will help the manufacturing industry whom they have to pay for it but whether or not that will really mean reduction in the actual cost of distributing food we are very doubtful. We do know this, though, we are getting more wealthy. We eat in hotels more, in railway dining cars more, in restaurants more and that is the most expensive food you can eat. Remember that when you tend to increase the flexibility of food distribution it tends to lower the price of farm products at the farmer's gate and therefore we contend that without something being done it would not be very difficult for us to say that this trend will continue and may go on for another 25 years and unless something is done there will be even more violent reduction at the farmer's gate level.

Now, what has been done to improve the lot of the farmer? It is sort of a hard luck story. Farmers themselves have been conscious of these things for a long time. They have been conscious of the fact that their income tends to be lower than others. They have been

conscious of the fact that costs of distribution are an important part of the retail price and they have tried to see -- they have blamed the distribution agencies occasionally, they have blamed the middleman, and they have not stood still, they have not taken it lying down. They have tried to with self-help, see if they could improve their lot. They have asked for government aid from time to time but mostly to set up within the framework of the law, an opportunity to try and help themselves. Their problems are very great and if we sometimes criticize and say: "Well, you haven't been as successful as you thought you would be about having revolutionized the market", that is true, but their problems are terrific. The two problems I outlined at the start are fundamental and it is difficult to get around them.

However, they have had a modern marketing organization in Canada for a long time. The few have possibly been successful and there are some big ones today doing a good job for the farmers trying their best to carry on and look after the people with a minimum of capital and trying to see that a little more money will get into the hands of the farmers.

We have co-operative buyers' organizations. Ontario has a very strong one where the farmers group together and buy their means of production in order to increase the part within the distribution system of the profits on the things they buy, although all provinces have not these organizations. Now the latest thing is the producers'-growers' controlled market. When I say the latest thing British Columbia had them over 20 years

ago, I hear. There they have been set up and thus you have a long experience -- rather terrific that producers and growers adhere when you visualize it. Still, in British Columbia they had a vote on it two or three years ago when the Social Credit Government came into power. You will recall they wanted to test it. The test turned out to be about 86 percent votes in favour of it. The farmers are behind it.

Then, of course, we have got the only government board, the Canadian Wheat Board. Now, the Canadian Wheat Board, I might say a few words on it. Basically it is set up to handle the product which has perhaps got the most unstable production of any product produced in Canada in a large way. Everybody who has gone to Western Canada knows how the yield will fluctuate heavily and they can't attempt to market the crop in that year. That is how the crop was marketed before under the normal marketing system -- it came on the market on any one year, and we know the result it had in a year of big crops, a violent fluctuation in price. We are at a loss to know why the Wheat Board is being attacked so viciously by certain groups of people because there is a big carry-over. That system of marketing alone is a big carry-over of five big crops. What else could it mean? It would not be orderly marketing if it were not. If that were done now that would not be orderly marketing. It would be the same as before. The growers never had that in mind and they don't have that in mind now but some people think that that is the way the grain should be marketed. We don't subscribe to that. We think that

time will tell that their system of marketing is sound and we have got to be patient. It is a long story. One thing we are quite convinced of and that is if there were no Wheat Board operating today -- I do not say in the last two or three years -- and grain was handled on the ordinary futurist system as it has been in the past, we would be away down below where we are today. There would not be a carry-over in Canada but somebody else would be holding it. History does not show that there would be much greater, if any, distribution of wheat in the world today if that had happened. It would be held in Europe somewhere -- elevators maybe, or else would be held here, but that would not solve the situation. It would simply mean that the price would be very low and the market destroyed. We have to increase hog production and poultry and milk. It would be increased if the grain had been perhaps low several years ago. I think only now the eastern farmer is beginning to realize how big a stabilizing effect the Wheat Board is having on livestock production in Canada. We do know that because of a little difficulty in deliveries that there is an expansion in livestock in Western Canada now but it is not drastically large. If that grain price had been down 25 or 30 percent in the last two or three years then this country would have a real surplus of livestock on its hands which cannot be stored, which cannot be stored. But this grain can be stored. It is a storable product and we feel it has a great stabilizing effect in the livestock industry as well as the grain industry.

Now, what are the prospects for agriculture?

It is true we do know there will be more population. Like most people we took the basic trend and projected it into the future to see if it is logical and that the trend should continue or should we modify the trend, speed it up or slow it down. Well, we looked at the population trend and we came to the conclusion that the population would be about 24 million people in 1964. That is a little lower than some organizations, I understand, have made to this Commission but we don't want to be too exuberant. We thought a 54 percent increase, which is what it has turned out to be, was reasonable. With respect to disposable income per capita we examined that also and we are inclined to think that if there is no major depression and no major wars, which I understand the Commission is basing its assumptions on, it is about a 60 percent increase by 1980 in disposable per capita income. That is at a 9.1 percent compound rate of increase. That is what it has been in the past and we estimated that that probably would be maintained.

We don't think automation is going to revolutionize Canada, by the way. We think some people are getting a little overcome with the exuberance of their own verbosity on that, because we have had many revolutionary phases in the past and none of those have pushed us faster than what we could handle. The telephone was probably ^{just} as important as the radio. It happened long ago. A lot of new inventions have come along in the past which are just as important.

I had an argument recently with an engineer about automation. I said: "John, don't think automation

is going to revolutionize the world and give you an answer to higher productivity profits". He said: "Why?". I said: "Somebody has to build it, provide power for it and it might only work well in a few industries but we have a lot of industries". You could use automation to make shoes but you have to make the hide. One has to tan the hide. We feel it is pretty good, and it will come, but that won't revolutionize our way of life.

Now, on this basis then, we figure that the overall demand for food will increase about 2 percent per annum. The total demand for all products, services and agriculture and industry increase at an income rate of 3.7 percent per annum. That is based upon a 1.75 percent compound rate of increase in population and 1.9 percent for increasing real income, giving a total demand of 3.7 percent per annum. But with agriculture because you only spend about less than quarter of your money for food that means that industrial products should go ahead about 4 percent per annum and agriculture about half that which shows that industry has an increase over the next 25 years pretty fairly compared with agriculture.

Now, on this basis then of the rising income we have made some calculations and we assume that by 1980 ice cream will need about 155 percent more roughly, evaporated milk 80 percent, meat 78 percent more. That is all meat combined in there in that wide range. Cheese, 73 percent, eggs 68 percent, fluid milk 54 percent which is increasing with the population and

there is no increase. There is just an increasing consumption of fluid milk with an increase in population. Fruits and vegetables produced in Canada 54 percent. We have not been able to see that the consumption per capita of soft fruits in Canada is going to go on rising. We did not increase the import figure, but we figured it might improve, the consumption of imported fruits and vegetables from the United States -- off-season and semi-tropical. Butter, 38 percent increase, less than our increase in population. Wheat for human consumption 31 percent. Increase in demand for apples about 15 percent -- increase in total demand again much less than total population. For potatoes only 9 percent more. That means a sharp drop in consumption per capita over the years in potatoes, apples and wheat and a small decline in butter.

Now, we have had quite interesting increases in productivity in Canadian agriculture over the years. It is difficult to analyze it properly because the statistics we took are not exactly what you would like on it. With a lot of detail work on the figures the Bureau use we would maybe get better figures -- not that they have not got them, they haven't put them out in the form we would like, but on the figures they gave us we can now say we now produce 18 percent more pounds of meat dressed weight output per animal on farms than we did 15 years ago. Taking the total output of beef and dividing by the number of animals on farms, we produce 18 percent more pounds of beef per animal. We also produce 21 percent more pork per animal, we produce

60 percent more eggs per hen. There has been a very spectacular rise in the productivity of the hen. We produce 53 percent more milk per cow than 20 years ago.

The productivity per man as a whole in agriculture we figure as approximately 2 percent per man per year. That is a little difficult to calculate because our productivity includes inventions, tractors and so forth and in our volume production these things have a lot of weight and it started in 1935 with low wages and it ends up with higher yields so we had to sort out the effect of changing wheat yields on that index and after we did that we found a combined rate of increase of about 2 percent per annum with normal yield of wheat in Canadian agriculture. That comes awfully close to that 1.9 percent increase in disposable real income.

Now, in both cases the trend lines are not mathematically fitted. In both cases it is a free hand line. When we submitted the figures to the Statistics of the Labour Department it came back with 1.9 and 2.1. It is rather interesting that it looks as though the productivity of agriculture as a whole is very close to the productivity of industry as a whole just as we would suppose. If we were looking over here our price for feeds would get up higher and we would have to get a higher price for food, but over here apparently prices have not tended to go away from other prices which seems to support our view that the productivity of both factors run about 2 percent per annum or very close to it -- maybe a little lower.

If we estimate -- and we have got reasons in our brief why we assume an increase in productivity may be maintained -- our increase per cow, per pig, per hen, will likely continue providing we can do our continuous research work. In that case then we would expect that those percentage rates would continue in the next 25 years. On that basis then, we will need about 15 million more acres of land in 1980 -- arable land to supply this food we are talking about, this increase, but allowing virtually hardly any exports except wheat. We did not think that wheat exports would increase very much if at all. We are basing that upon some people who have made quite a study of the future world demand for wheat.

MR. GRAUER: This was 15 million acres of what?

DR. HOPE: 15 million acres of arable land under which grain would be grown, a little bit of summer fallow and hay pasture. I think in Alberta they have been talking about 20 million acres in that one province and from what I know, interior British Columbia has another one million acres. Here and there they can get further acres in Saskatchewan. It will not be difficult over 25 years to get 15 million acres in Canada. That is something we can be sure of. We are not saying 20 million; we are saying 15 million. After all it is less than one million acres a year and in the last seven or eight years from 1946 to 1951 I think there is a table in our brief which shows that in Western Canada alone they have been gaining arable land at a faster rate than what is needed. Over one million acres a year in the three

Prairie Provinces from 1946 to 1951 but it has slowed right down since grain prices backed up on them and there is virtually no increase now but it was running in 1951 at a faster rate than what we really need. Mind you, that land will not be easy to break. It is nearly all wooded land. It requires breaking, bulldozing and drainage. It is not like breaking prairie land in the old days. It won't all be open plains. Maybe some farms will be less arable. An interesting point about it is, if you break it in a very short time, it means a very small change in the price of agricultural products. I mean to say, let us take 100 as a normal price. Supposing you don't break the land quite fast enough, a 10 or 15 percent raise in farm products compared with other industries would very soon bring it out and in addition to that we have additional fertilizers which we only use in a small way so far.

So we can supply the food. We have got the acreage and we will do it. That means our surpluses for farm products on the export basis are gradually disappearing, particularly oats and barley for feed. We assume it will all be consumed in Canada with increasing livestock so actually oats and barley will be one of those things to disappear from the export market. We have been slipping away from the export market for about 20 years. This year we only exported 2.8 percent of our total production. Many years ago it was 10 percent. We are now taking all our production this year. If we come to a scarce situation there will be competition between the United States and ourselves

for beef and whether or not we have any exports, it will be very small because it will be scarce the same time here. On the other hand, hog production, it looks to us as though it will be fairly continuous on an export basis over the next 20 years. We feel there is a reason for that. Basically we have a pretty good strong position competitively in the raising of bacon. The general reason is that 80 percent of the cost of a pig is feed grain and we are one of the cheapest producers of grain in the world and therefore it puts us in a very strong competitive position growing a product that takes so much grain.

Then, of course, as far as the United States is concerned there is a market right next door for our special quality cuts of bacon. I believe you have already had a brief from the hog producers of Ontario which stresses that the Americans have a lard type of hog which was fed on corn and the modern trend is going away from fat and they are making great steps now to change their type of hog, but my guess is they will have some difficulty because they are a corn raising country and they have a lot of things to learn about raising bacon hogs on grain and as long as we keep on our toes with hog quality and are able to keep the preference down there for bacon and hams then I believe our market will be important. That is an important feature for the future, the question of the grading of hogs in order to encourage farmers to produce high quality bacon. So therefore we estimate that in the next 20 years we will slip away from the beef export

market and continue to export hogs.

Dairy products exports we assume will disappear, even the cheese. In the case of this increased productivity we will get all this increase in eggs, for instance, with only 15 percent more hens than now. We will only need 5.6 percent more cows. Even although total milk requirements will be 42 percent higher by 1980, we need only 5.6 percent more dairy cows and in the matter of dairy farmers, the farms are getting larger and one farmer milks more cows and the tendency is to have less dairy farmers than we have today. In general the productivity will rise per cow. Now a cow will give up to 7,000 pounds per annum. Before it was 5,800 pounds. It has gone from 5,800 to 7,000 pounds per cow.

Then, productivity per man, we gave these figures to the Dominion Bureau of Statistics. We gave them our projection in volume by 1980 and asked them to work out what would their index be on the final volume of production as they saw it based on these assumptions. They said: "Don't say we did this; we did the calculation -- you set the figures". We said, "All right". We gave them the data and they came back with an index of 194.4 physical volume of production for agriculture production in Canada. For 1954 and 1955 the volume of production by their method was 135. In 1954 and 1955 the average yield of wheat was about $17\frac{1}{2}$ bushels per acre so the index for those two years was just about based on an average yield. We know in 1980 on our assumption with an average yield of wheat, so the total volume of production would be 44 percent in 25 years.

That was the basis for saying that the productivity per man being 2.1 percent per annum we would meet a decline in man power. We were interested in finding out what would be the needed manpower in industry in 1980 so we got the idea of seeing what the volume of production would be and then on this assumption finding out the productivity per man assuming it is a concentrated productivity and finding out what we would need in 1980 and it came out to 774,000. Now for the last year it has been 889,000, so that is a decrease of some 115,000 workers in agriculture. It shows definitely the drift from the farm is slowing down quite rapidly now. In other words, we have drawn this deduction that from 1946 to 1955, in nine years, there has been a decline of 393,000 men in agriculture. This was probably caused by two important factors. One was the withdrawal from the export market to Europe. We were selling exports of bacon hogs in 1946 and 1947 to Europe, quite large and a lot of other exports, mostly in the dairy field. We have slowly withdrawn from that field. Our exports of wheat are less to all these countries in these years and there has been a big drift of surplus itinerant labour to farms right after the war. They all wanted a happy life or country life right after the war -- one acre, five acres, half an acre. Now, most of them have quit it. They discovered those two things I mentioned at the start, those two major problems and they were driven out. But from now on I would suggest that the redundant labour has disappeared largely and from now on the drift will be much slower. As a matter of fact, if we could have a

2 percent increase in our wheat export over the year we would not need to have any drop in our working farm population over the next 25 years. It is only because we assume that a part of our economy will be based upon a fairly static wheat situation and the overflow, the domestic wheat that we have, going up, but if we could just get the wheat exports beginning, we would not have to have any drop, but we don't anticipate that.

Therefore, we are inclined to think there will be the slow drifting down, but not very large. If you put it on a chart you would almost see where the beginnings and ends of the curves flatten out. That will also give you the natural increase. We can't keep our natural increase obviously. So we will still have the problem of some of the sons leaving and going to the city.

Now the outlook for foreign markets has been touched on by Dr. Hannam. The British market versus the United States market, for instance. Many people say why don't we get the British market back, we are losing the British market and blaming the government for losing the British market and so on. That seems a favourite trick. Well, the American market has been a better market than the British for us. I would not want to take the price the British are offering now. I raise hogs, but I would not want to take their price for long. I am quite happy to play the market really. The American market is a very good market. We cannot compete with other products, especially hogs sold to the British from a low cost

productive area right next door. Their prices are just too low. It is not a question of losing the market. If you want to blame anybody, blame the farmers for not producing low enough costs that we can get in there but surely you can't blame the buyer because the British market has been lost. In the post-war period Britain just could not buy apples, and probably won't, from Nova Scotia, and I think the Nova Scotia people realize that now. They are supplying their own apples from their own resources as well as they can and they are also big eaters of citrus fruits as well as we are, which is one reason we have lost our market for apples. As for Britain's position in the world economy without going into details of it, we do not feel that in the long run we can expect in the case of wheat that she will be a very lucrative market. We can get rid of a surplus there some times at a low price but we can't look upon it as a revival of the market that we will be gearing our price to.

THE CHAIRMAN: Did you say "dump" our surplus?

DR. HOPE: When I said dumping, I meant to say occasionally. We would maybe want to get rid of some stuff at a low price.

THE CHAIRMAN: We have been hearing a certain amount from manufacturers lately about that.

DR. HOPE: Yes, I understand that. Now, with respect to other markets, of course West Germany and Japan are two big markets especially for grain. Great Britain, West Germany and Japan are the three

biggest importing countries for food but it is largely grain and we expect to have additional markets for grain. Generally speaking other European markets except for wheat are small or non-existent. South American markets where we used to sell dairy products are now embarking on a programme of self-sufficiency. Mexico and Venezuela are putting up powdered milk plants and they want to develop their industry and we don't look on the markets outside of Canada as being particularly good except in the United States market -- population growing rapidly, country close to us, tariffs not too high and so far they have been a pretty generous neighbour considering their difficulties. As far as our farm produce is concerned, especially dairy products in the world, we have to compete with New Zealand, the lowest cost producer of dairy products in the world and will continue to be and we just can't do it. It is no use trying to compete even with tariffs.

But what is needed for a prosperous and stable agricultural industry? Price and income instability is the big thing. That will be the major problem and always will be and it is difficult to know exactly how you can solve that. We have suggested price support operations, timely and in advance so farmers know ahead of time what to expect, may be a part of the answer. I might say here that the United States parity organization was established back in the late '20's. There was a school of thought there who studied what we are talking about now. They talked about this 30 years ago and it is still questionable.

One thought was that if we could only inform the farmers what to expect next year or six months hence, tell them the story and being rational Americans, they will know what to do. They will decide to do this instead of that and we will get our farmers so educated that we can iron out all their questions. I remember Dr. Warner of Cornell tried to get farmers to think that way and the American authorities went on that basis and they formed an outlook conference which was started in the early '20's and every year they got all their state men who knew their local situations to lecture the farmers, to tell them the situation. But not enough farmers followed it so it did not seem to work. They still do it but it did not have sufficient force or was not implemented enough to really reduce farm instability much and then, of course, the next step was the parity price programme. What we are suggesting is that our government should be somewhat bolder than it has been in price support -- not giving more price support or higher -- we don't mean that -- but don't do it quite so reluctantly and be bold enough to do it ahead of time even if it is not needed to let people know ahead of time what to expect. Don't wait until the problem is on our necks and then keep it kicking about for six months and then probably do something because that has brought a great deal of uncertainty to the farm population. Even if the supports were low, if they knew ahead of time at least it would be something. So we are asking that this question of price support should be examined more carefully, more thought given to

it.

Now, we have suggested a formula. We know it is not the best of all formulae. It can't be. How could it? But for the sake of getting into the argument and being some help we have brought it forth. We think at the present time it is about as good as we have got around but no one else has brought any formula in and we are asking them to accept it unless they can get something better. We have reasons why we think it would be nice to be on a firm basis. We think that would tend to prevent too low a level of price which in turn would prevent too high a price later. That is the only way we can think of to help avoid instability.

In addition to that we think the establishment of a producer-controlled marketing board would be helpful. There are certain boards operating now for many years and we feel they have been doing a good job and we feel that we could add to this question of reducing instability to some extent by creating orderly marketing over the seasons and years.

Now, there is another point -- inflation. We don't like to see this inflation going on and I don't think we shall. There are even some responsible people in high positions who say today there is no inflation in Canada. We feel that inflation in Canada is a growing influence but has been masked because of the fact that food products have been so low. If the farm products of the world today were placed at the same relative level of increase since 1947 as all industrial products today the man on the street would say we have really got

inflation, we have really got inflation. Instead of a cost of living index 38 percent higher than in 1947 we would be about 55 percent higher than 1947 and it is only these things that are masking the situation at the present moment because I think if you increased the total we have got in our brief on agricultural products you will see the price level is 55 percent higher than it was in 1947, two years after the war, and higher than the Korean boom.

We are told and the general public believes that there was a world speculation in May and June, 1951, the Korean boom and then there was a collapse at the time. But the general public does not realize that the vast majority of products except farm products, are higher today than in 1951 -- except farm products. The fall of the price in all farm products before 1951 was very slow; now it has come up faster. We feel that there are some basic reasons for that and you can't say, well, are you saying this because farmers like inflation, they are supposed to like it, they pay off their farm debts. But we don't think it is good for any nation to have a rapidly rising price level. It has been going on at a considerable rate -- 3 percent over the past few years. There has been no period we have ever examined into regarding inflation in the history of Canada or United States when the rate in nine years has been as high and there has been nothing in sight to check it. They try to balance budgets in the United States and this real thing has now boiled down to a real race between our friends over in Russia in regard to industry and everything else. The

problem is to be able to control the price level in that race. So we think that when people who bought fixed income bearing securities in 1947 and today have lost 23 percent of their purchasing power which they have done, at that rate they will lose an awful lot over the next 10 years. That is what has happened. How you can get people to buy bonds today I don't know. I would not if I had the money. You have to have high purchasing power and I hear people saying: "What is the good of buying a bond?".

THE CHAIRMAN: What should they do, buy life insurance?

DR. HOPE: I don't know. They have been told by the Bank of Canada they should put their money into gilt edged securities. At any rate, that is a problem for the future to be faced and because it may very well end in an excessive boom. It is pretty difficult for inflation to go on for a number of years. That can be proved and we can bring back the '30's almost any time. I am not suggesting we will and it is not a thing to be discussed but we could lose all our gains that we have been bragging about in the future and agriculture would be one of the worst sufferers of such a thing.

Now, we would like to see a fairly vigorous policy of immigration. We look forward to the time when we are going to have even more people needing hired help on farms. Shorter hours, shorter weeks, shorter fringe benefits -- it is more difficult for farmers to compete with that kind of labour -- more difficult and

therefore we feel that we can offset that partly if we have a pretty good supply of immigrants into Canada, in addition to the fact that we are tending to keep our domestic market rolling also for industrial as well as farm products. So we would favour a good immigration policy. The long term credit needs of agriculture, the modern trend of credit appears throughout the country to have been the length of term of payment by farmers. You can price too heavily over time. There was a time when the seven year mortgage was right, or the five year mortgage and it was no good. Farmers couldn't pay it. Interest rates were too high and principal payments per annum were too high. Then it was lengthened to 15 years, then 25, and now most of them are moving into the 40 year field, which is virtually like a rent and not much higher than rent. We feel in Canada if we are going to maintain our efficiency of production in agriculture, which is a necessity from the point of view of the national income apart from agriculture, then if Canada is to be an efficient nation you must get your food cheap. I don't mean it quite like that; I mean you must get it as cheap as any other nation gets it and you will only get it if you have a highly qualified efficient production and you will get that if we have some research and some credit policy which will enable farmers to make the necessary change-over in order to increase their productivity and efficiency. We feel today the long term credit facilities in Canada are basically pretty poor.

Most private investors won't invest their money in agriculture. The odd retired farmer will but

private investors as a whole have simply withdrawn from the agriculture field. They can make bigger money at less risk in urban places and that is where they put their money and so we have to depend upon pretty well the Federal Farm Loan Board which we feel has been too conservative over the last few years in their operations. They are advocating the 40 years term with a minimum of \$20,000 and an interest rate that would run around $3\frac{1}{2}$ percent.

We suggest no change in the Wheat Board system of marketing. We see no reason why it should not continue over the years. We would like to see a continuous expansion in scientific research, an expansion in agriculture that is based on our productivity. That applies, at provincial and federal levels both because the universities are provincial and the experimental farms are federal, but we need a continuous growth in that rate of scientific research in order to maintain our efficiency.

We need a national programme of land use construction in Canada, all across Canada, through a national agency. Then we need a national soil and water conservation agency -- something like they have got in the Maritimes just as out in the Prairie, we have the P.F.R.A. We feel we should have that on a broad national scale which would prevent causing problems to sub-marginal farmers. You often hear city people say: "You have a number of farms you could divide". As long as you have some marginal farms in use you will have sub-marginal farmers. It could be solved when

those people retire from that type of land operation or by land transfer. It is true, the resources are under the control of the federal government by the British North America Act, but at the same time we feel that the federal government has a big responsibility to help the provinces along this line just like it has helped in the Maritimes and also in the Prairies.

Now, the educational and health services available for rural people are comparatively low compared with cities but it is true that in rural areas close to big cities you get good schools and perhaps good medical service. But taking the rural area of Canada as a whole the rural people are receiving poor training, poor education and poor health service. It is true we know they are going to flow to the city. We know they are going to flow there, they are going to be handicapped, they are going to be handicapped because rural people cannot physically or economically pay for the costs of health and educational services on a parity with the city standards. The population is too sparse, the economy too low and if we are going to have a condition where we are going to have equal standards in rural and urban areas then we feel it would be a national responsibility on the basis of a heavy subsidy because that is exactly what it means in nice blunt words. It will mean that the rural areas will have to be subsidized on the basis of education and health standards if they are to have equal parity standards. If they do not, they will continue to be the poor country cousins and we don't think it should be that way. The cities will

gain if the rural children go to them highly educated or equally educated when they go into the city.

A very interesting thing, we heard lately that Canada has to have a lot of engineers. One responsible member of the government made a speech yesterday that Russia had so many engineers last year graduated, and Canada only had so many and what a terrible tragedy it was, and that this future generation and the struggle for man's mind will be determined by the number of engineers we turn out. There is some truth in it. Pardon me for being personal but a year ago I was talking to a construction engineer about my son who was becoming a mechanical engineer. He said: "Oh, your son is going to be an engineer?" I said, "Yes". He said: "I have had many years of experience in engineering and the best engineers come from the farms. You can pick them out every time. The best engineers were born and raised on a farm. Your son is lucky."

Here is the point. Agriculture is becoming strongly mechanical. If we want to train engineers any time, engineers like mechanical engineers or civil engineers, construction engineers, the best place for them to get that training is on their father's farm where they are becoming mechanically minded, where they learn and grow up with that machinery. When they get to college they are head and shoulders above in the practical aspects of that type of thing. That is why I say these people can help Canada and we should not forget them if we are going to become a mechanical nation, that the farm is a workshop where these young people can be trained.

That is a little side issue but I think it is important.

We don't think that any significant change could be made in Canada on the overall moderate tariff policy. We have got a couple of pages in our brief on that. We are a little concerned and are alarmed by the obvious pressure and barrage of material that has been thrown at this Commission over the last month about the great need to have higher protection for secondary industry in Canada. We feel we have made great progress to date. We have made as good progress as we could possibly make with our manpower. We have had full employment except for short periods, so the tariff has not been inadequate on that score. High tariff countries have unemployment just like low tariff countries. In the long run we think we should not tinker with them. We have made good progress. We support GATT. We think it is a step in the right direction in the long run and we think the nations of the world should give it a chance to work out and not keep trying to pare it down.

We admit any industry usually wants a little help, even agriculture when some emergency happens and lasts for years but we don't think that the nation's policy in respect of tariffs, for instance, should be based on any short term year or two years long because all human activity goes in cycles, even your own emotions and these ups and downs have to run along to get a good picture of them and therefore we feel that 1954 may have been a bad year for some of these boys and it was in some cases but things have improved again now and they will probably be better still in 1956, so looking at it from the long point

of view, we don't think we should get into a panic and think it is a bad policy to export raw materials. We don't throw it away. Every pound of raw material we produce and give away we get some medium of exchange which makes us wealthy and self-sufficient. Again, this broad policy we think over the next 25 years we can look forward to a period of reasonable parity with other groups. I know we can perhaps never get full parity of income. I am not one to go out and tell farmers that. Our Federation does not do that.

Dr. Hannam does not go out and say that. We know we would like to get it and we try to get it as close as we can but we realize sometimes there is a balance to be maintained. In a way we are striving all the time to get as close as we can. Oftentimes you can have a parity on things not in dollars which we have suggested which will to a certain extent be a great thing for agriculture. That is, health and education. If the people know we have an equal opportunity, are healthy and well educated, the people who stay at home will be more contented. That means that the nation has to step in and make a real determined effort to see that they get it and not have other people out of their meagre incomes trying to supply those things.

THE CHAIRMAN: Thank you very much, Dr. Hope. I will ask Dr. Stewart if he will start the questioning.

DR. STEWART: Dr. Hope, the chairman has indicated to me that he has been somewhat concerned by your mention from time to time about the Commission and we are referring to agriculture. He would like to

remind you that the members of this Commission are not far from agriculture and that he himself is a farmer.

THE CHAIRMAN: Thanks.

MR. STEWART: He did not ask me to say but we are inclined to think he is part of the redundant labour that has not yet moved off the farm. I would like to start with your analysis of the condition of chronic low returns on farming which you describe as being chronic over-production. This lies in terms of the low income elasticity increase in productivity, pressure for markets or less transfer of resources. If that condition has persisted ----

DR. HOPE: Would you talk slightly louder, please, Dr. Stewart?

MR. STEWART: I am just repeating your own analysis of this problem. Now, in such a situation where there is apparently a continuous tendency to have low returns, one would suppose that it would be unwise to adopt policies which would, or might well be a factor in expanding output. Would you agree with that generalization?

DR. HOPE: You mean, for instance, an example would be this, that it would be unwise for us to sponsor experimental farms and researches which would tend to increase the productivity of agriculture?

MR. STEWART: I was not thinking of that illustration. After all it does not necessarily follow that the long run effect of that will be an expansion of production. I am thinking of immigration, for example. You refer to the Federation's policy or attitude on

immigration and I gathered that you would support a fairly rapid flow of immigrants to this country including the agricultural immigrants?

DR. HOPE: Yes.

MR. STEWART: Incidentally, your estimate of population of 24 million would, I think, on the basis of the rate of natural increase imply practically no immigration at all?

DR. HOPE: I think we applied an increase in immigration of only about 150,000 a year, not very high.

MR. STEWART: Then you must be using a different fertility and mortality rate than other people because most of the projections have been above 24 million. However, you say this did anticipate a fairly substantial immigration?

DR. HOPE: For the immigration I gathered you would mean that by bringing in immigrants you tend to expand agricultural production and so aggravate the situation. Well, we did not say necessarily bringing in farmers particularly. We have been advocating bringing in immigrants, farm labour who might eventually become farmers although we know from experience a lot of them don't. They stay in agriculture for six months or a year and then high-tail it to the bush. We bring them in and the rest of Canada uses them. We are really concerned because of the labour situation. We find that in agriculture a lot of farmers have hired labour but those who do are finding it more difficult the last four or five years in hiring competent farm help. We know many, many cases where we only get the misfits of industry.

You can -- all you have to do is talk to the labour office employees in any labour office across Canada who are placement officers and they will point out in many cases that is a correct statement, that most of the misfits who can't fit into industry drift into agriculture. That is the kind of labour we have -- they don't stay along with us and they aren't very competent, so the farmer who employs the labour through our Federation is anxious to have a fairly good flow of farm labour.

Then, there is the additional factor of increasing our domestic market. We are interested in having the domestic market and that 1.5 percent per annum, if it could be 2 percent per annum, if it could be 2 percent it would be nice for our generation if we could get it. That is why we are interested in immigration.

MR. STEWART: Now, in the past also we have shown a very considerable readiness to assist in the expansion of settlements into new development areas and to provide roads, schools and public facilities necessary to sustain agriculture in areas of new development. One would think if your analysis is correct that we should go rather slowly in promoting expansion of this kind if there is this tendency to chronic over-production?

DR. HOPE: Yes, I would say that you are correct in that. I doubt very much that we are providing new expansion of agriculture. I don't know that any governments are promoting except through immigration,

some provincial governments might have land settlement schemes in moderation. We can sustain a small amount of it.

MR. STEWART: Well, we are interested in your estimate of an additional 15 million acres of farm land in the Prairie region. In suggesting that amount of expansion did you have in mind this chronic tendency to low returns?

DR. HOPE: Yes, we did. We feel this, that actually we have had quite a few surplus products for export over the last few years, surplus of hogs, cattle, dairy surplus, and surplus of forage and crop seeds, occasional surpluses of eggs and so on, and naturally we would be very definitely not exporters of all those products over the next 25 years unless we did expand our acreage and cut out our exports, that is, if we furnish all the increase in the home market we will certainly have to produce more or cut exports and we don't want to cut exports but it might be that a certain amount of tariff protection or the price structure might have a little bit more effect on the basis of switching from the exporter to not exporting.

MR. STEWART: You feel that over the period this volume of expansion can be upheld at the average price level?

DR. HOPE: At the present average price structure on the basis of real income of 60 percent higher in 1980.

MR. STEWART: The same problem arises in connection with conservation, reclamation and irrigation.

It is difficult to distinguish between stabilization, expansion and over-production.

DR. HOPE: Yes, I admit that.

MR. STEWART: What is your opinion on projects such as the South Saskatchewan?

DR. HOPE: Well, the South Saskatchewan River, when I looked at the report about three years ago, I came to the conclusion that it was a good report. I doubt if it was economically sound at that time to make the dam in view of the costs -- not only the cost of the structure but the cost of the operation of pumping the water after it is completed would mean higher cost farm produce. I can think of a better way to spend \$150 million to help the Saskatchewan farmer. If it was a question of having \$150 million to spend upon themselves and do that by building a dam or something else I can think of some other ways to help the Saskatchewan farmer.

THE CHAIRMAN: I think it was \$250 million.

DR. HOPE: Well, I do think the spending of \$250 million at this time might be done otherwise in a better way but I was not thinking so much of the expansion of wheat as of products which would be canning factory-produced products. It would not be wheat.

DR. STEWART: Would you think in the next 25 years conditions might be right for a development along the South Saskatchewan?

DR. HOPE: Oh, yes, I am sure they will.

DR. STEWART: How can we determine when that will be?

DR. HOPE: The price structure. When the period is reached that we find a tendency for the prices of farm products to get a little higher in comparison with industrial products, a little tightness is showing and a move on to the import market, then we might say: "Now, we are in a position that we can do these things", and that is as far as the demand for production is concerned. I think the basic way of telling would be price because I don't know of any other way.

MR. STEWART: There are certain other policies which tend to set up resistance at least to the transfer of resources which would seem to be necessitated by the market condition and the increasing productivity. For example, I think somewhere in your brief there is a reference to withdrawal from sub-marginal land. It has been alleged that programmes like the P.F.R.A. by a continuous payment year after year in certain areas failed to achieve the adjustment of the resources there. What is your opinion of that type of legislation?

DR. HOPE: I think there is a very great conflict between the two federal Acts. I have always thought that. There is a real conflict between the P.F.R.A. and the P.F.A.A. One Act, the P.F.R.A. helps to bring farmers from sub-marginal lands at government expense. The other Act, the P.F.A.A. tends to keep the farmers on poor land at government expense and I have believed that for a long time and it seems to me there is a conflict there that needs to be resolved

and it could be resolved if the powers that be were willing to relieve it.

MR. STEWART: In Appendix B which is a statement of the Federation on international trade and surplus disposal, I am reading paragraph 2.

"Every effort should be made by government, producer and private agencies to expand existing markets for Canada's grain and other exported farm products, and to develop new ones."

I take it from what you have said in your statement and from the statement on page 49:

"All of the above leads us to believe that there is not likely to be any substantial expansion in overseas markets for Canadian farm products over the next 25 years." --

well, Recommendation 2 stands here as your Federation's policy. You say that we are going to be very successful in pursuing it.

DR. HOPE: Yes, I think what we had in mind there -- and by the way, I might say that it may be of interest for the Commission to perhaps know how the Federation of Agriculture drafts its policy statements. The policy statement, I might say, arises this way. The Board of Governors two or three years ago appointed a policy committee of about six men scattered across Canada. Mr. Broderick, the former Ontario Federation president, was its chairman, David Kirk, our Secretary was one member and I was one member of it representing all the country on the board. The board

would hand to this committee: "Here are some basic policies to look at. Report back to us a year hence what you think should be the basic policy for the Canadian Federation of Agriculture on this particular topic". Well, that committee would take those subjects and spend many days -- we would go down to Toronto and lock ourselves in the hotel room for about four days and argue this thing back and forth with the office supplying a lot of study material for us and then after a lot of study we would draft it, and Mr. Kirk here was mostly responsible for the drafting of these policies reports. They were then submitted after considerable thought, to the board of directors. The board of directors in turn looked at them and then they made the final corrections on the Canadian Federation of Agriculture policy and that is how this document arose. That one you refer to obviously was done last year and it is true the members are pretty well aware of the framework of basic policy of the Canadian Federation of Agriculture and I think on the whole --

MR. STEWART: Simply that it should be the policy of the government too?

DR. HOPE: To try and bring along export markets here and there especially when we have surpluses. We will have surpluses although I am very optimistic about this rise in the domestic market. We think there will be a gradual tapering down of export surplus. There may be times when we would like a market for evaporated milk or skim milk, butter or eggs or turkeys and therefore we feel any real market that can be dug up we would be very happy

to have it until we reach this condition of almost self-sufficiency in the future. But we do realize, Dr. Stewart, that that is going to be very difficult for any country to find in view, as Dr. Hannam pointed out, of the unrealistic programme of self-sufficiency which is sweeping the world. All of those who have read the documents of FAO realize that since 1946 this self-sufficiency urge in agriculture seems to be sweeping the world and they all want to make agriculture more efficient. That is our problem and that is why we are optimistic when we talk about that.

If from time to time we are faced with problems of surplus disposal and we are thinking of external markets ---

MR. STEWART: In several places in your statement you refer to international co-operation in agriculture.

DR. HOPE: Yes.

MR. STEWART: Are you hopeful in that area?

DR. HOPE: I am not very hopeful personally although all that could be done by actual government or inter-country consultation without any international disposal agency, for instance. In other words, we are beginning to think that when we have a percentage rise of a surplus it might be only for a year or so and then it would be cured. If we could go to the countries concerned and talk it over with them maybe we could come to a gentleman's agreement how to handle that surplus without bothering with tariffs, quotas and restrictions. I don't know, there may be some cases -- well, cheese was handled

that way. That is exactly how our government handled that cheese. There is no law, as I understand it, that will prohibit the import of New Zealand cheese. The Ontario Milk Board was trying to handle cheese and by general agreement between the Department of Trade and Commerce and New Zealand, the New Zealand Dairying Board agreed for the time being to send it somewhere else. That is what I mean by co-operation and consultation without rushing up our tariff barriers and stopping everything and making everybody angry. This may be a dream but that is a dream we would like to think about. They have done the same with potatoes. We have had Americans come up and talk to our people about potatoes. They do it on apples. Our apple committee in Canada gets together with the Okanagan apple growers and the Ontario people and together with the Americans and together discuss the whole apple situation, government and producer and from that they arrive at a deal, "We will try and send so many apples in here". I know it works with apples. We think in cases of moderate surpluses, small numbers that international exchange could be continued rather than dumping and breaking GATT or something or other and being too rigid about it; in other words, put our feet under the table, talk it over and see if we can iron things out for 12 months, and after that forget about it.

MR. STEWART: You are anticipating a market expansion in beef production and hog production. Have you any views as to where the areas of major expansion will be?

DR. HOPE: Hogs?

MR. STEWART: Both hogs and beef as between the east and the west?

DR. HOPE: I think as far as beef is concerned, you are going to have a continuation of shift away from dairying into beef cattle in eastern Canada, the Maritimes, Ontario, maybe even Quebec but certainly the Maritimes, I think, and Ontario. I think you are going to find a market through the farmers who are cream shippers and manufactured milk shippers here and there breeding their cows to white-faced bulls, shifting around to a dual purpose and finally a beef herd. In some cases it will mean a larger farm but I think that will be the trend in Ontario over a time with more beef cattle proportionately and relatively less dairying.

As far as the Prairie is concerned, I don't know. Obviously the land that is broken in the far north will likely be land where there will be somewhat more cattle production than land that is down south. Even now in the Prairies I think they have more beef cattle. I expect more will go up there. Hogs, I don't exactly know where the concentration of hogs might result. Of course, wherever barley is grown we can look for a lot of hogs and so if we break out 15 million acres of land we are going to have more hogs go out there like around Edmonton and Peace River. The likelihood is a lot of it will go up there.

MR. STEWART: You seem to expect that we will develop an expanding market for hog production in the United States. How about coarse grains to the United

States?

DR. HOPE: Oh, I think probably we will get a better market through the pig in sending it direct there. There is a tendency for some people to do it but I think the demand for meat will be such that our people will be able to bid the price for coarse grain away from the international market in meat so I don't think the international market would pay for coarse grain as good a price as our own hog growers will be able to do here, providing we can get a high quality pig and free access to their market. I don't think we will ever be heavy exporters of hogs to the American market. I think perhaps you will realize when we made this list on the basis of trend and so on we came to the conclusion there was not enough beef in the country in 1980. We are short about 390 million pounds but on our assumption which would mean we would either have to import or else consume more hog products and we assume there will probably be more hog products consumed but it will still leave exports around 3 percent or 4 percent of our consumption in 1980. That would only be about 70 or 80 or maybe 100 thousand pounds a year which will not be a big thing when you come along to 1980.

MR. STEWART: This is my last question. What is the position of the Federation on production controls?

DR. HOPE: Well, our official attitude on production control is that we are not in favour of it. We go only as far as being in favour of the regulation or control of marketing of grain through the present

system, the Wheat Board. We don't object to that. We think it is all right, that is, the present system of quota sales is satisfactory but controlling production, you hear a few farmers talk about it but when we have discussed it on Farm Forums and so on, we find that basically farmers shy away from the thought of somebody controlling what they have to produce.

MR. STEWART: If I may follow that one point up, there are obviously many situations but I gather that you are not too much concerned about the accumulated wheat surplus?

DR. HOPE: No.

MR. STEWART: How much might the surplus have to get before you would at least be sufficiently worried about that you might think of doing something about acreage control?

DR. HOPE: I have often thought it could be double what it is now, one billion bushels, and when it gets to one billion bushels you have got to watch out. Now, it is true there is the cost of carrying it and whether the government is willing to assume that on a national basis I don't know. If they are willing to assume it on the basis of stability, the long form stability of the whole agriculture, not just grain growers but also the livestock growers to maintain a normal economy then we would be all right providing we had the storage which we have not got today.

MR. GRAUER: I was interested in your apprehensions about inflation. Does your Federation offer any particular views about what should be done

about the situation?

DR. HOPE: Now, we have not any views. You see, one of the problems is this: I presume farmers have been complaining a great deal lately because they are not sharing in the rise in national income with other industries. They don't say they are depressed; they say they are not sharing in this growth and the basic reason is that they know their produce is right down and the product they buy is not down. It is higher than 1951. So although they don't call it inflation in a sense because their own products are down, they often complain instead that they are worried about the fact that all other products seem to be rising so high and theirs are going down. I don't know that they have ever come to any solution on the part of anybody.

MR. GRAUER: But anyhow the farmer thinks that that trend is not desirable?

DR. HOPE: I will be perfectly fair about this. We have not had that complaint of inflation as such at our annual meetings, not lately. It has come out of our own thinking. What he can not understand is that while his prices are going down the prices of industrial products are going up and he has got to pay a premium every time. In 1896, 1922 or 1930 when everyone else's income was going down the price of industrial products went down too and he bought it cheaper. But now he does not.

MR. GRAUER: There is one view as you probably know, that mild continuing inflation is a

good thing. Your Federation does not subscribe to that?

DR. HOPE: The thought of that, of a mild continuing inflation ^{might mean} a rise of 2 or 3 percent every time. That has been often a theory but our feeling is this, certainly in our office here, that even those people who believe that theory -- and I would not dispute that a rise of industrial productivity of 5 percent compound is not mild inflation -- and we don't quite realize it yet but we will five years hence, if it continues at a rate of 2 percent you can probably smoothe out but there is a trap in the path of people who retire which is pretty tough on them. Mind you, the theory that if people decide against the falling value of money to transfer their investments to something else that is not a fixed interest bearing certificate like a bond, and therefore they will be buying common stock, non-risk capital, what effect that will have on the income and inflation I don't know. Maybe the experts who have thought that through will know what the likelihood is after inflation if in spite of buying bonds you have to sell and give them a higher rate or else they can be buying stock.

MR. GUSHUE: I think you refer to the desirability of a modern tariff policy and another part of your presentation said you did not regard tariffs as between Canada and the United States as being too high. Is there some reasonable parity in the tariff between the two countries?

DR. HOPE: Well, in agriculture we are

both very reasonable. Many of our products have exactly the same tariff and the rates are not high. It may be that the Americans have a little more against us, but not very much. Basically our tariffs are pretty low. Often around the table we get swapping ideas about the future and about the idea of a customs union. The time might not be too distant when that would be adopted by American and Canadian farmers -- a customs union.

MR. GUSHUE: Are there any other features in either the Canadian or American tariffs such as the quota restrictions and so on that are at all bothersome?

DR. HOPE: Yes, the Americans, of course, had quotas on oats, barley and rye for a year. They have taken it off now. They put quotas on alsace clover seed. They put their strongest quotas on dairy products but we have lived through all those. For a while it was bothersome but now we have got adjusted to it.

MR. GUSHUE: Are these sorts of things discussed when you get together informally across the border?

DR. HOPE: Well, they have been discussed. We do have a meeting with the farm organizations of the United States here once or twice a year in Washington. This is what is called the North American branch of the National Federation of Agricultural Producers. We meet once or twice a year and talk over mutual problems and these questions are raised too. It is designed for an exchange of views. It is a wonderful thing because we feel that the more we get to know each

other's problems the less likely we are going to make mistakes regarding each other's production.

MR. GUSHUE: Do you think they have some effect in the long run on actual policy?

DR. HOPE: Yes, I think we can gain in the long run by talking to each other about these things.

MR. GUSHUE: You spoke of potatoes and among other things you said that these farmers all had such discussions. You encountered some unconsciousness in the Maritime provinces as against the potato situation in the potato State of Maine. Is there a reason for that?

DR. HOPE: Well, of course, the basic reason is that the State of Maine, the one state, produces as many potatoes as the entire United States combined. It is almost inconceivable and that gigantic production area is right next to New Brunswick which is also one of our good potato producing areas and close to Prince Edward Island. When, of course, there is a big crop in this Maine area, that determines our price. We don't know what is going to happen. We have got potato producers all across Canada interested in this problem and the Maritime potato producers are not all of one mind on this question of tariff.

MR. GUSHUE: There is an inequality in the tariff?

DR. HOPE: Oh, yes, we have to go over the American tariff as well, 75 cents a hundred the year around except for about two and a half bushels

which they give us which would be seed potatoes at 35 cents per pound. It is certified seed. Americans can bring their potatoes in here the year around duty free except for six weeks in the season at which time it is 35½ cents. Our producers have been worried about that distinction. You mention the fact that we are both an importing and exporting nation so you had better figure out what is to be expected of the Canadian farmer.

MR. GUSHUE: That is one section of the tariff where you don't get this apparent equality of treatment?

DR. HOPE: There is one case of soy beans. They get duty free into Canada. I don't know that that is affecting our soy bean growers. I don't think it harms them materially. So far they have not complained but that is one of the basic things that our dairy industry faces, is the importation of their soy beans.

THE CHAIRMAN: I would like to ask you one question about this cost of distribution of food products. I believe you said that your expectation was that the cost of food distribution would tend to rise so you thought that in the years in changes in horizon and the possibility is that those costs would tend to rise. I think you said also that you felt that retail prices were less likely to rise, and again that was going to go down to farmers to the extent that productivity in agriculture does not increase. If the farmers are successful it would be through producers' marketing boards. So, in other words where is there any fundamental reason why food prices should not increase

at the retail level?

DR. HOPE: Well, if marketing boards function successfully it does not necessarily mean that there will be a higher retail price on foods. Yes, it may occasionally if there is a glut in that function of the marketing board, rather than have it dumped and have a lot of it wasted. There are many products of the farm that the farmer has to practically give away cheap because of pure, unadulterated damage of glut, and the marketing board would try and prevent that by ironing out the market from day to day or month to month. There is the Peach Marketing Board which has been available for some time. They have prevented gluts, they have prevented peaches arriving in carloads and having to be condemned. That might mean a little higher average price for peaches by avoiding that price variation and that would increase the farmer's share when he has the operation of the marketing board. That is what could happen. When we say that the cost of distribution will rise, that is what could happen if nothing at all is done about it. If we have marketing boards functioning whose job is to do their very best to give the consumer a reasonable break and at the same time iron out your relatively final distribution costs all they can then maybe we can avoid that. I have in mind the Potato Marketing Board in British Columbia. I suppose the Board were out there and heard it out there. I can't think of any marketing board that has helped producers and consumers more than that board. There is no place in Canada where consumers get treated so well for potatoes

and yet the farmer gets a pretty good break. In fact, all potatoes are washed and tested. No private industry would dream of doing that. You gentlemen have heard that the producers themselves have a stability in their income and they have not gouged the consumers because those Vancouver people are protected from the import of potatoes from Washington.

THE CHAIRMAN: Well, I won't pursue the question. It seemed to me on some other lines of products the producers have been reasonably content to see the problem solved by increased prices at the retail level and I wondered whether that was a practical solution for the agricultural industry. The Canadian Association of Consumers are going to be heard this afternoon and I expect they will have some views.

DR. HOPE: I wonder, Mr. Chairman, might I speak for just one moment about this question of rising prices. You really don't solve the farmer's problem very much or at all by raising retail prices in the long run because a lot of elasticity of price for farm products is such that if you raise that retail price over a time you destroy some of the advantages to the farmer because less would be consumed, but the real approach should be to reduce the amount of money between what you pay for the food and what the farmer gets for it and that does not necessarily raise the retail price.

THE CHAIRMAN: Well, thank you very much, Dr. Hope, and Mr. Hannam. This has been a most interesting submission and a very useful one and we are extremely grateful to you.

Now, in the interests of the tobacco growers, we usually have a ten minute break about now.

--- Recess

--- After Recess

THE CHAIRMAN: Well, gentlemen, if you will come to order we will ask Mr. Lloyd Jasper, the president of the Ontario Federation of Agriculture, to present his Association's brief, which we will mark Exhibit 241.

MR. JASPER: Thank you, Mr. Chairman, and members of the Commission. Mr. Cecil Belyea, our economist for the Ontario Federation of Agriculture will be our witness, as Mr. Belyea has prepared a summary of our brief and therefore in order to save time, I will not go into it in detail, because there would be duplication.

We heartily endorse the brief that was presented by our parent body, the Canadian Federation of Agriculture and we will endeavour to go into, in a little more detail, the problems as we see them confronting the Ontario Federation of Agriculture and the farmers of Ontario.

We appreciate this opportunity of presenting our views to you and I think I will call on our witness, Mr. Belyea.

MR. BELYEA: Mr. Chairman and members of the Commission, perhaps first of all I might deal with the Ontario Federation of Agriculture and what the Ontario Federation of Agriculture is. The Ontario Federation of Agriculture is the general farm organization of Ontario

embracing more than 80 of the Province's leading farm service, co-operative, marketing and educational groups. Through its membership it claims to represent the views of the vast majority of the more than 650,000 people who, through the skillful management of Ontario's agricultural land, are able to provide food in abundance not only for their own needs, but for the principal needs of the remainder of the Province's growing population and, by so doing, to provide a sure foundation on which an already gigantic industrial complex may safely be expanded. Brief attempts to equalize the ideas of the Ontario farm people are stressed to their leaders with respect to the future of Ontario agriculture. It consists of an examination of the past and future prospects of Ontario farming and concludes with a short excursion into the realm of policy concerning immediate problems.

Dealing first with the past -- the brief describes the type of agriculture predominating in the province, emphasizing the economic importance of and the desirability of maintaining the livestock-grass land form of farm enterprise. It traces the development of agriculture in Ontario from the more primitive subsistence type of 1800 through the cash crop stage when grain growing was very important and grain was produced as an export commodity and then with the rise of the Western provinces as a prominent producing area of quality wheat and other grains the Ontario agricultural economy turns to the development of the livestock industry which was eminently suited to the needs of a fast growing human population as well as a firm base for the expansion of secondary industry.

Among the changes noted in Ontario agriculture -- and these are common to all provinces -- there has been a decline in farm population both real and relative to the total -- relatively speaking, now less than 13.6 percent of the total population. There has been a decline in the farm labour force. The farm labour force makes up approximately 11.5 percent of the total labour in Ontario and a decrease in the area of occupied farm land due, probably, to the abandonment of worn out or unsuitable land or acquisition for other purposes. This decline was in the order of about $1\frac{1}{2}$ million acres during the period between the census years 1941 and 1951.

There has been a further decrease in farm numbers. There has been an increase in the average farm size of almost 11 percent between the last two census years -- a trend likely to continue for some time to come. There has been a rise in the value of capital per farm, reaching an average of almost \$17,000 in 1951. Of particular significance is the relative decline in value of land and buildings and the increase in investment in equipment and livestock. As an indication of the comparative importance of the investment in agriculture, it is estimated for the year 1951 that the investment in fixed capital (less livestock) in Ontario agriculture per production worker was \$7,399 as compared with the investment per production worker in manufacturing of \$5,049.

There has been a marked improvement in productive capacity. On the basis of productivity per worker, the increase is in the neighbourhood of 68 percent since 1946. Taking into account a decline in the farm

labour force of 33.3 percent that means a gain in productivity overall in agriculture of 12.7 percent since 1946.

There has been a relative decline in net value of production from 16.4 percent of the total in 1946 to 9.0 percent in 1953, although in real terms the net value of production has risen. There has been a very real decline in net farm income. We estimate this decline on a per farm basis to be more than 37 percent during the 1951-54 period, a period when business profits and wages in other walks of life generally showed substantial increases.

Finally, this section of the brief shows Ontario's contribution to the nation's food supply which in rough terms amounted to about one-third of marketings of live stock and poultry products and more than 40 percent of the value for all Canada of fruit and vegetables. Since Ontario has about one-third of the population it would appear that as far as the products mentioned are concerned, a state close to self-sufficiency has been realized.

With respect to future prospects, we have felt that it was impossible to deal with Ontario as a separate jewel in Canada's crown. We felt that national and world agricultural prospects must be taken into consideration first. This, I believe, has been adequately covered by the brief previously heard but I will just deal with it very briefly.

World trade prospects for agriculture are not too bright. Trade in agricultural products is

declining relative to non-agricultural trade due to world-wide policy of agricultural self-sufficiency on account of exchange and other difficulties. The future looks rather dim for those commodities which Canada and the United States can produce in abundance -- grain and livestock. Britain, Japan and West Germany are likely to be principal importers of North American staples. Canada is fortunate in that her western wheat is of premium quality and efficiently produced.

The production potential is very large in both the United States and Canada. In the United States according to two recent studies, it will be comparatively easy to provide food in abundance for a projected population in that country of 190 million by 1975. You will observe that we have only looked into the future as far as 1975. Are we short five years?

THE CHAIRMAN: Oh, what is five years here or there?

MR. BELYEA: Similarly, in Canada it would appear that in Canada the grain and livestock needs of a projected population of 24 million will be easily met especially in view of certain reserves of new land estimated to range from 15 to 20 million acres which might be brought into play with comparative ease and further amounts by more efficient use.

Our brief, in estimating future food needs, takes into account probable changes in the consumption of various foods as affected by a projected rise in real disposable income per capita to a figure of \$1,320 per annum in 1949 dollars which is about a 40 percent increase

over 1953 and is merely a free hand extension of the trend. For meats and milk solids and cheese in terms of whole milk solids there will be a total increase by 1975 of 80 percent in the case of meat and 104 percent in the case of milk solids over 1953. It may seem that the projections in the case of milk are rather high. Actually, the co-relation analysis indicated such an increase and I suppose it might be partially accounted for by the fact that we believe that any increases in real disposable income over the next 20 years or so will come rather to the present low income groups. Furthermore, to judge from a survey by the F.A.O. (this survey, I believe was done in 1949) there was at that time considerable under-consumption of food among these low income groups. It is estimated that about 25 percent of Canada's population even in a country with so much food was under-nourished, and perhaps the fact, or what we hope will be the fact that these lower income groups will be receiving much more income relatively, will increase markedly the consumption of all kinds of foods for these groups.

For cereals, the decline in per capita consumption will cause total consumption to increase by only 35 percent over 1953.

Following this, estimates of the animal population required to fill those principal needs are made and the total acreage required to feed the animal population.

It should be emphasized that the estimates in this section should not be regarded as being anything

more than rough approximations. They have been included to add a little flesh to the bare bones of imagination so that the contours of the subject may be a little more readily discernible.

Having dealt with Canada's agriculture and having concluded that future food requirements need not trouble us greatly, we turn to Ontario and assume that at least an attempt will be made to maintain the task ratio of livestock numbers to human population as far into the future as possible. It is rather disappointing to find that in most cases figures are unavailable as far as percapita consumption of various foods in Ontario are concerned and therefore our approach to Ontario must be a very rough one indeed. Estimating the livestock population required to feed a projected human population of 8,184,000 -- this is a figure that was used in the brief of the Ontario Government -- we find that the present pasture acreage is not likely to meet 1975 needs and that takes into account the fact that it will probably take less pasture than it does now to maintain an animal unit that, in the case of milk, some increase of production per cow will be realized and that production per acre of animal feeds will rise, and therefore less acreage will be required in grains to feed the animal population. So present pasture acreage is not likely to meet 1975 needs. A diversion of present crop land to make up the deficiency will likely be necessary. There will be a substantial increase in Ontario's dependence on western feed grains. Dairying, poultry and hog raising will become relatively much more

important in Ontario. Not only can we expect an increased population on this side of the border but projections of population for states of the United States immediately below this section of Canada are quite high and it is possible that this part of Canada may be expected to help feed that population in the United States directly below us. So that we think that dairying, poultry and hog raising will become more important relatively and that beef production will decline.

I have understood from information gained from the Department of Agriculture that dairying in the long term will bring in better profits than beef raising. Beef requirements in Ontario are not likely to be met by provincial production and it is suggested that much of Ontario's beef needs will be supplied by the western provinces.

With regard to special crops the inroads due to the process of urbanization and industrialization of Ontario farm land will deprive us of our most prominent tender fruit and vegetable growing areas. This may lead us to become much more dependent on United States sources for our tender tree fruit requirements.

I mention in the brief that the area I am speaking of is that bordering the western end of Lake Ontario which is rapidly being gobbled up by industrial and residential developments. I expect that there will be a considerable increase in this trend of land going out of production in that area because of the event of a completed St. Lawrence Seaway and also the extension in

horticultural sectors will take a sizeable share of available crop land for animal feed. We may become more dependent on United States sources for our tender tree fruit requirements.

In general long term trends toward increased mechanization, increased size of farms, reduction in farm numbers will continue. Farm population will decline relative to total population -- possibly to 6. to 7 percent of the total. The farmer's income position will improve thanks largely to more efficient operation on a larger acreage per farm than at present.

Now the immediate problems. I will quote directly from the brief at page 10.

While some improvement in the farmer's economic position may come about 20 years from now, we believe that some means must soon be found to relieve his current distress which shows signs of continuing for several years to come.

Post-war government agricultural policy -- and this is Ontario's view of post-war government agricultural policy -- stripped of minor features, seems to be directed at giving succour to the western grain producer. No serious fault can be found with this general aim. Doubts do exist, however, as to whether the policy-makers have set their sights high enough. To explain a little more fully, Ontario farmers often express concern at the rapidity with which western farmers can enter livestock production, particularly hogs. The following table compares commercial hog marketings in the Prairie Provinces with those in Ontario for the years 1949-55

inclusive.

The sizeable production increases in 1952 over the previous year amounting to 49 percent in the prairies and 27 percent in Ontario seem partly to have been in response to the better prices prevailing in 1951. However, an additional factor to be considered in the case of the Prairies is the beginning of a build-up of sizeable stocks of feed grains due to harvests of a supernormal size. It will be noted that, in Ontario, after the 1952 recession in hog prices from 1951 levels, marketing dropped back to below former levels, while in the Prairies, after a comparatively small decline, marketing again climbed upward despite less rewarding hog prices. The existence of large supplies of unsold grain prompted the marketing of this grain through hogs and the other livestock and it is this tendency and its effect on prices which Ontario farmers fear.

In addition to that one might mention the fact that there is some evidence to indicate that there has been, shall I call it, a kind of grey market in grain operating intraprovincially in the western provinces. Farmers have been forced because of lack of ready cash to sell their grains at prices much below those at which the Wheat Board sells grain and the animal production principally in hogs which comes as a result of that distressed selling of coarse grains at low prices, is a source of much embarrassment to British Columbia and Ontario producers. It is unfortunate that we, in Ontario, don't seem able to compete with that kind of production.

It has been mentioned that grain growing

is an enterprise in which Prairie farmers head the world both in quality and in economy of production. Moreover, since grain is a more easily stored commodity than meat it would seem that, if temporarily unsaleable surpluses of any food commodity began to build up, those surpluses might better be in the form of grain. Hence, we would recommend that serious consideration be given by the government to the establishment of an "ever-normal granary" programme, consisting mainly of the outright purchase and set-aside of sufficient western grain to lessen the danger of an accumulation of livestock products. Such a programme could well be started immediately to relieve the severe dourth conditions prevailing in the Canadian farmer's pocketbook. There is, of course, the shortage of storage space. The Americans seem to have found places, in tents and ships to store their surplus grain and they have embarked on such a programme setting aside quite a substantial proportion of the grain production of that country.

Ontario farmers together with their fellows in other provinces are convinced of the value of producer board marketing programmes operating under provincial and complementary federal legislation in the marketing of many farm crops. Much effort has gone into the establishment of such marketing plans in Ontario. Where the crops in question present only a small surplus problem, Ontario producers feel that they are in a position to handle the details of disposal more efficiently than governments. In particular do they feel that the

recently developed principle of agency marketing as opposed to simple price negotiation is the method of the future. Producers await anxiously the results of a reference to be made to the Supreme Court of Canada on the constitutionality of provincial marketing legislation and the possible effects of that body's decision on the multi-million-dollar farm product marketing structure built so painstakingly over the past 20 years.

There are many other problems as well.

There is the perennial problem of getting feed grains to Ontario producers at reasonable prices. We believe that the credit facilities now available to farmers fall somewhat short of what might be desired. There is the increasing burden upon agriculture due to the necessity of providing services for expanding suburban areas and this burden is becoming very heavy indeed. There is the question of what to do about agricultural slums. And finally, although these are not all of the problems, by any means, there seems to be a great need for some kind of land use survey. In Ontario particularly where the industrial giant is getting bigger every day and as land needs are increasing every day, the Ontario Federation of Agriculture is becoming seriously concerned about the food needs of 20 years hence and wondering why some of these private and public acquiring agencies need to take the best agricultural land at times for their purposes. Many persons have commented upon the apparent crime of taking away the very rich region around the western end of Lake Ontario. Because of climatic and

soil features that area is perhaps the best tender tree fruit growing area on the North American continent and there is grave danger that it will be lost eventually to agriculture.

There is the highway expansion programme. We estimate that probably highway 401 will take eventually 20 or 25 thousand acres of some of Ontario's most fertile farm land. It does not seem much but the highway expansion programme to us seems to be just beginning. Who can say what our highway needs will be 25 or so years from now? We don't have too much good agricultural land in Ontario. One estimate that was made several years ago indicated that there might be as much as 4 to 4½ million acres in Northern Ontario which could be developed in an emergency. According to the best information we can get from the Department of Agriculture of Ontario it is unlikely that very much of this land will become available for agricultural production because of the lack of proper transportation facilities. Probably only a comparatively small area about New Liskeard district will become available readily in our generation.

That concludes, gentlemen, the brief as presented by the Ontario Federation of Agriculture and we wish again to thank you for the privilege and we trust that your work in trying to plan for Canada's future development will be most successful. We feel that the appointment of this Commission has been very worth while and something that perhaps should have been done many years ago. Thank you.

MR. STEWART: Mr. Belyea, I am referring to page 10 and this reference to:

"Hence, we would recommend that serious consideration be given by the government to the establishment of an 'ever-normal granary'"

You are suggesting here a change in the marketing procedure with respect to grain. Now, the grain trade in Winnipeg reminded us that through the Wheat Marketing Board operations no public funds had gone to the grain producers; the whole thing had been self-supporting. You are aware of that?

MR. BELYEA: Yes.

MR. STEWART: Now, when the Canadian Federation presented its brief this morning, as you heard, they commented on the normal granary provisions of the Wheat Board marketing?

MR. BELYEA: Yes.

MR. STEWART: We heard elsewhere about the grey market which has developed but would you not concede that the situation would have been much worse even allowing for the grain marketing operations had there not been the activities of the Wheat Board?

MR. BELYEA: Oh yes, sir, I would certainly agree with that.

MR. STEWART: The other point here is that you are suggesting, as I understand it, that the government actually purchase feed grains and get them off the farm. Does this involve an entirely different procedure in that the government is buying and public

funds will be invested?

MR. BELYEA: That is right, sir.

MR. STEWART: You are recommending that that should be done?

MR. BELYEA: Yes, sir. We feel that in the long run, while large amounts of money might be spent in purchasing these grains to keep them off the market perhaps the long term cost to the people of Canada will be relatively small because it seems unlikely that to us at any rate in the East, knowing possibly too little about western production, it seems unlikely that this super-abundant harvest will continue indefinitely. One of these years the world is going to wake up and find itself very much in need of grains which may be supplied by the quantities which the government has in store.

MR. STEWART: You refer to the growing dependence on western feed grains on page 9. What is the position of your organization with respect to such measures as the Feed Grain Assistance Act?

MR. BELYEA: I suppose this is in a sense a policy? We have always supported the assistance policy. I don't know whether either of my superiors here would care to comment on that particular question, but it may be -- and I think personally -- that the value of freight assistance, that is, at its present level of payment, is practically worthless.

MR. STEWART: You think it is no asset to Ontario?

MR. BELYEA: It used to be a terrific

asset but now with these cheap grains which are used in producing hogs principally in western Canada, the principle which was implicit in making these payments to buyers of western wheat and coarse grains in Western Canada, the principle of trying to make eastern feeders competitive with potential western feeders has gone. I don't know whether I explain myself clearly or not.

MR. STEWART: I rather gathered you would like to see it on at some times and off at others. You would like it available perhaps depending on the price of grain.

MR. BELYEA: That is something I had not considered.

MR. STEWART: We seem to have a little different evidence on this point that whereas there will be an increasing demand for livestock products, beef consumption will go up and pork consumption as to the original product itself, as I interpret your statement, you feel that the expansion of hog production will take place substantially in Ontario whereas relatively little expansion will take place in the west. Is that your expectation?

MR. BELYEA: I think that is about the situation we expect. Probably it would be more correct to say that I feel that relatively hogs and dairy products will be more important to Ontario than beef. I feel that Ontario farms are adapted to the production of hogs and to the production of dairy products. As far as dairy products are concerned we are closer to the large centres

of population than any other source of supply and I feel that that is where the emphasis will be in the future, on dairy production to feed this larger population here in Ontario which we expect and the much larger population in the United States immediately below the border possibly.

I do feel that while there will be some beef production in Ontario that it will not go very far perhaps in supplying our needs, that we will have to rely eventually on getting our beef supplies from western Canada.

THE CHAIRMAN: I would just like to ask one question about your remarks on land use, particularly with reference to the Niagra-Grimsby area. A number of people have suggested to us that there should be restrictions on the transfer of that type of farming land into industrial or commercial use but nobody has come forward with any suggestion as to how the farmers would be compensated. Somebody might come along and offer them X thousand dollars an acre. Are you going to tell them they can't accept that and that they have to go on growing fruit?

MR. BELYEA: Well, if I may answer that question obliquely, I think that this problem might never have come about if the people who planned the Queen Elizabeth highway had decided to build it above the escarpment rather than below it.

THE CHAIRMAN: That kind of approach to planning a highway particularly would do a lot to correct the situation, without having to interfere with the right of a farmer to sell if he gets a good offer?

MR. BELYEA: And the services that go with it, yes.

MR. GUSHUE: Just one question. You spoke of a reference here to the Supreme Court of Canada on the constitutionality of certain legislation. What you mean is that reference was made; it is not litigation, is it?

MR. BELYEA: No. It is being made by the Province of Ontario.

MR. MILBURN: May I answer that question?

THE CHAIRMAN: Yes.

MR. MILBURN: As I understand it it is being made by the Federal Cabinet.

MR. GUSHUE: Has it been made yet?

MR. MILBURN: Well, the reference is being made on the insistence of the Ontario farmers to the Supreme Court. The hearing is to be held on April 24th.

MR. GUSHUE: They are setting out a constitutional point as a reference to the Supreme Court?

MR. MILBURN: Yes, we are referring the Ontario legislation in support of the marketing schemes and our Ontario legislation. What we are attempting to discover is who has authority to do certain things. We are not questioning the Ontario Act or the Ontario operations but what we want to discover is who has authority, what authority have the provinces, what authority has the federal government. That is why we are asking them on behalf of the farm people so that we will know who are the responsible people to give us the machinery that we feel we need to help in successful marketing plans.

MR. GUSHUE: You are not referring to legislation of other provinces -- just Ontario?

MR. MILBURN: Well, we are asking ourselves but I think all the other provinces are going to be represented at the hearing.

THE CHAIRMAN: I have only one other question. At page 9 of your brief, at the bottom of the second paragraph there is this sentence:

"Butter surplus will probably continue to be a source of concern although methods for pricing milk on a different basis, if adopted, might change this situation to some extent."

What do you mean by that?

MR. BELYEA: Well, sir, there is some controversy in dairy circles at the present time as to what method should be employed in pricing milk. Milk presently is priced mainly on the basis of its butter fat content and methods are being developed, have been or are being developed, by which milk should be priced or may be priced on either a combination of fat and solids not fat or on solids not fat exclusively. Nutritionists are beginning to look at the fat intake of the human population and while there is nothing conclusive as yet in this regard they feel that over-consumption of fats of any kind, of animal or vegetable origin, may lead to some trouble. It is difficult also to determine actually what the nutritional values are of fats, and certainly as far as milk is concerned, nutritionists are beginning to believe that the solids

not fats are an important element.

THE CHAIRMAN: Thank you very much.

MR. MILBURN: In regard to a reference of Dr. Stewart's. Our Federation supports freight assistance and Mr. Belyea said there was no question. I think we should make ourselves clear. We are in favour of freight assistance, so far as the Ontario Federation of Agriculture is concerned. We do recognize that there is a problem not associated with freight assistance in any manner and that is our people are a bit concerned about the free flow of grain from producer to processor and we are finding that in hogs and particularly in egg products that the producer in the west can come down and undersell the market in Ontario which is giving us some concern. We are not opposed in any sense to the method of marketing, that is, the usual principle of grain marketing under the Wheat Board because we believe that the principle is sound since we believe that the same principle is in use in our Ontario crops, 32 crops being handled under a somewhat similar plan. I just wanted to make that point clear.

THE CHAIRMAN: Thank you, Mr. Milburn.

Thank you very much Mr. Jasper, Mr. Milburn and Mr. Belyea.

--- Recess

--- After recess

MR. LECKIE: Mr. Chairman and gentlemen, we are appreciative of the opportunity you have given us to present our brief formally. I believe you have

had copies and therefore it will be unnecessary for us to go through the bulk of it. I would like just to introduce some of the gentlemen I have brought for moral support, so to speak. The first one on my right is Mr. E. Masse, manager of the Quebec Federation of Co-Operatives and also president of the Meat Packers Council of Canada. The next gentleman is Mr. N.J. Henderson, Director of Swift-Canadian Company and also in charge of their public relations, and on the extreme right Mr. N.C.Schneider, who is associated with the J.N.Schneider Company of Kitchener.

THE CHAIRMAN: Thank you. We will mark your submission 242 for the record.

MR. LECKIE: I am the Secretary-Treasurer of the Council as you already know. Now, in summarizing briefly the contents of the brief, I might incidentally mention, as you know, one or two of our member firms, Canada Packers Limited and Burns & Company have already made submissions on their own account but as our Council represents some 20 meat packing firms we have some 40 or more plants in various parts of the country, some of them co-operative, some of them multiple plant operations, some of them single plant operators and it was thought desirable for the Council to make a submission on behalf of the industry as a whole.

The first part of our brief, as you will notice, starting on page 2 -- incidentally, on page 1 you will note that the members of our Council handle quite an impressive proportion of the total livestock sold under inspection -- not quite as much a proportion

of the total meat consumed in Canada because there is still quite a proportion of livestock sold outside regular inspected channels.

Starting on page 2 we dwell to some extent on the importance of the livestock and meat industry and we may say here that probably one thing that would strike anybody reading the brief is that it may have been almost presented by the livestock producing group rather than the meat packers industry because the two industries are very closely tied up and the one is very much dependent upon the future of the other. It would seem that in the next few years we can expect quite an expansion in livestock production because it is being recognized more and more all the time that it is associated with soil conservation, the economic advantages of diversification are becoming more evident, there is a growing demand for livestock products and the processing industry performs an indispensable function in converting meat animals into desirable consumer products, thus adding value to the raw material. It has a substantial investment in plant and equipment and makes large outlays for labour and materials.

The next section of our brief starting on page 3 we won't dwell on to a great extent because it deals with how the industry has developed and evolved over the years. Going back over the last 75 years or so meat packing is supposed to have started operations in the 1850's but it is pretty hard to pinpoint and to say who was the first commercial packer. However, it has developed as the livestock industry has developed.

The packing industry has peculiar economic problems because of its basic nature -- highly perishable products, no control over volume to be handled, cannot stockpile, a dis-assembly operation, instability of prices of meat and by-products and so forth. It is fundamentally a high volume, low profit industry. A constant retelling of the economic facts of the industry is necessary in the interests of public relations.

The packing industry has shown a steady period of progressive and evolutionary growth in the last 75 years. Keen competition in buying livestock and selling its products has enforced efficiency and kept margins the smallest of any major industry. The industry is a combination of various types and sizes of firms -- largely Canadian owned and controlled and adapted to this country's special requirements. I don't think there is any country where you could have an industry that is organized in quite the same way as in Canada. The United States being so close -- but there are some differences.

Plants over the years have been located wherever there was a need for them, that is, wherever there was adequate volume of livestock for processing available and where there were consuming markets and required economic shipping destinations.

Now, since it had developed a little later than the American industry it did not have quite the problems that the American packing industry has encountered on the re-location of facilities. Chicago became the major meat packing centre of the United States

after originally locating closer to the eastern seaboard and then there has been a steady tendency there to the decentralization of the industry. In Canada we only had one major centre comparable to Chicago, although we have possibly Toronto and Winnipeg which have been somewhat large centres, but we have other meat centres and we have not had the same necessity to pull up stakes and move plants to other areas and that has been one of the problems in the American packing industry. Chicago has no longer been an economic centre for some types of packing facilities. Several of the major packing companies have had to close down or revamp their Chicago operations.

Now, transportation has, of course, played a very important part in the livestock and meat industry both in collecting livestock for processing and in delivering the processed products and both truck and rail transportation have been important. The truck has made considerable changes in the whole industry both in the delivery of livestock and distribution of meats. It facilitates frequent shipments of perishable products like meat and takes it to the consuming centres which are 50, 100, 200 or as much as say 500 miles from the processing centre. It has also been a factor in contributing to the direct delivery of livestock from the farm to the packing plant the same day, by-passing the central markets or stockyards that were the original major type of marketing channel.

Now, that has introduced some problems particularly in the matter of price reporting. Our official

prices in Canada are still reported as stockyard prices but with the stockyards in some cases receiving only 10 percent of the livestock they do not represent the price for the whole market supply any longer.

I might mention before I go on that there have been some developments recently to bring back the popularity of central stockyard marketing and selling by auction has been revived and I might say has met with a good deal of acceptance on the part of the producers and the processing industry. Recently we have had the Dutch system introduced in Toronto for the sale of veal calves which is different from any marketing system used up to this time in this country.

The next section of our brief deals with future trends in animal production and as we point out there by and large the packing industry is not going to be the agency which will dictate that but it will be the decisions of some 400,000 to 500,000 farmers where livestock is produced and the decisions those individual farmers and ranchers and stockmen will make will be based on such things as the cost price relationship, what they think the markets will be, what feed they have available or expect will be available, what they think government price policies will be and other things. So that the industry just has to do its best in trying to predict what the response will be in the future.

Now, the first thing that strikes one is that the livestock production potential in Canada is very large, particularly in Western Canada and particularly for grain consuming types of animals as opposed

to ruminants or grass consuming.

Hog production, the best evidence we have had of what it should reach is that we had reached actually in 1944 in the last year of the war, a total output of 8,863,000 hogs which was almost 3 million more than we produced last year and the biggest year we have had since the war was 6.7 million in 1952, so that we have already had demonstrated a fairly large hog production capacity when the need arises. I might say that there has been some discussion already this morning as to whether increased numbers of hogs might be produced. We had an annual meeting a couple of weeks ago and one of the statisticians that made a calculation, indicated that last year hog production in Saskatchewan only accounted for about $3\frac{1}{2}$ percent of the barley and oats produced in Saskatchewan last year, and that to us in the packing industry would mean only about .5 percent of last year's production of barley and oats would have been consumed by hogs. So you can see there is a big potential hog production in Saskatchewan and in some of the other western provinces particularly.

Over the last four years our feed grain production as estimated by the Dominion Bureau of Statistics has run about 15 million tons per year and the disappearance about 12 million. The differences are actually even more than that 3 million because in the 15 million they did not include feed wheat and in the 12 million they do include feed wheat. A quick calculation would indicate that that 3 million tons slack could have doubled our present hog production if we had

gone to hogs and that is not the whole story because our feed grain production while largely consumed by nature also can conceivably in the future years be considerably increased by technological improvements -- more fertilizer, irrigation, better tillage and culture methods, better varieties and so on.

As far as cattle are concerned -- just before mentioning cattle feed this would not appear to be a very serious limiting factor in the near future for hogs and the supply of poultry.

As far as cattle are concerned there has been a great deal of interest in recent years in what has been termed grass farming or grass land farming and that has enabled considerably heavier carrying capacity where pastures have been important in the production of beef cattle. At the same time breeding improvements have been made in beef cattle and the United States Department of Agriculture estimates that in the past 25 or 30 years the output of beef per unit has improved by about one-third so that with the same resources we are producing about one-third more beef than we used to.

We are marketing them at younger ages and light weights, have more efficient strains and faster gaining and so on.

It would seem that looking over the next few years the expansion possibilities in beef cattle are a little less optimistic than in the case of hogs but still we are in the times of very substantial increase of pasture. I saw one estimate the other day of a committee acting in Ontario which said that the northern

part of the province could support very substantial numbers of cattle presumably because it could grow grass, not because of its grain growing ability.

Another estimate I heard was that in western Canada they have a community pasture project sponsored by the P.F.R.A. and the statement was that the present community pastures could carry three times as many cattle as are now carried on it, so we can produce a substantially larger number of beef cattle as well as hogs.

The sheep industry seems to be the one that has been declining relative to other livestock and relative to human population. The trend looks as if it will continue not because there are marketing difficulties so much but its production difficulties -- first class animals, shortage of shearers, the market for wool, the market for meat in the war and after the war and it seems to be a relatively declining type of industry.

Poultry production, on the other hand has been becoming more and more specialized and efficient and it has been competing more strongly all the time with what we call red meat and that would seem to be going to continue. Our present poultry consumption is about 30 pounds per capita and the poultry industry has really led the way in many instances in efficiency.

The next section of the brief we have to look into the future trend of the demand for meat starting at page 14. Looking at the figures, some of

which are shown in the appendix with a high level of employment and income there has been, I might say, a phenomenal demand for meat and animal products in the last five or ten years. Per capita consumption in the two major red meats, pork and beef are up sharply over pre-war, about 60 percent in pork and about 31 percent in beef. It is interesting to note that our pork consumption has held up much better than in the United States. They have been worrying about the level of pork consumption there, and their consumption has been declining relative to beef but ours seems to be holding out fairly well probably because our general quality of pork is a little better, although it is not what we would like yet either. But by and large our consumers have not switched them back from year to year, when one is cheap relative to the other, pork to beef and have gone on. The two major red meats are substantially up per capita.

In the last 15 years our total meat consumption in Canada has increased by close to one billion pounds and there has been an even higher increase in the proportion marketed through inspection channels because there is more of a demand from the consumers for a consumption of a sure product that has been thoroughly inspected and is safe to eat.

Now, every million more people that we get in this country means at present consumption levels an increase of about 150 million more pounds of meat. It is possible that our present consumption per capita levels, of course, do not represent the ultimate because certain countries in the world have a meat consumption level of

over 200 million pounds compared to our 150 million pounds but if we look in 25 years for, say, 10 million more people I think that is not beyond the bounds of possibility, we are certainly going to need at least a 50 percent rise of total meat output by 1980. That is, if there is no gain in per capita consumption and if our purchasing power is maintained at the high level we may expect more gain in per capita consumption.

Then, so far as the domestic market is concerned. We discuss the export market on page 18. Export markets for our meat products have continued to be of considerable importance but there has been quite a shift in the last 15 years in the production for the export market.

I might mention, however, that last year with the third highest meat output of record in Canada and the highest peak in peacetime output we only exported about 10 percent of our total pork and about 2 percent of our beef. In spite of that fact, export markets, still, I think, will be important to our livestock and meat industry in the next ten years at least. We have not had any export shipments of bacon since 1950. We got closer to the possibility of exporting bacon last fall than any time since that date but Great Britain has still her bacon distribution under a form of control and it will be until the first of October this year when that control will be lifted and indications now are that when she lifts the control there will be a 10 percent duty placed on imports of bacon. That will not apply to Canada and other countries of the Commonwealth but

it would apply to European countries but indications from the press are that even after the controls are lifted there may be some license or restriction placed on the import of bacon from foreign countries. The time in which we may expect to enter the British market for bacon again is somewhat doubtful although it is now more a possibility than it has been in the last five years.

Most of our pork products have been going to the United States. Last year our exports were just a little less than the year before but by and large you might say the same. The interesting thing is we were able to export pork into the United States last year on an average differential on hog prices in Chicago of \$4.00, our price being the higher. We only shipped about 8,000 live hogs but we were able to ship about 60,000 pounds of various kinds of pork products largely because we had some edge on the quality and because our people had established contacts with the American market and had supplied that market and were able to surmount the hurdles.

The export markets for beef have been almost exclusively in the United States since the war. In fact, in recent years and except for a brief period in the war, North America has been the major market for live cattle and dressed beef. There have been some comments made this morning on the value of that market. The figures I saw the other day indicated we might expect the United States population by 1975 to increase by approximately 60 million and you can look for an increase

possibly in her direct consumption of meat. One of the United States livestock trade journals estimated by 1975 they would need 25 million more beef cattle, 36 million more hogs and 22 million more sheep to supply those requirements. Well, it looks as if Canada might expect a fairly good market for meat products on this continent.

The last section of our brief deals with the future trend and problems of the packing industry. In the first place, it looks as if the packing industry will be required, of course, to expand the volume of its operations, to handle much larger supplies of livestock that will be needed if we are to supply the domestic need of the people, export some, and in addition there is every indication that meat packers will have to increase the range of services which they are providing. These services take the form of different ways of putting up packages for the added convenience of consumers, packaging the meat in unit packages. It ties in with the methods of retail distribution of meat by self-service and so on but the whole trend is towards doing more operations in the packing plant and less in the consumer's kitchen and those services are going to require investments in new facilities and probably some increase in employment, certainly increases in machinery and there is every reason to believe that the packing industry as presently constituted can meet whatever requirements might become necessary both in respect of volume and the necessity of different types of service.

However, there will be a growing need for research. To illustrate one need of research, some of the packing house by-products that have been available over the years have become less available, for instance, fats. Lard, has changed completely in its value over the last 25 years. Lard used to be one of the most valuable by-products of a hog and now is one of the least valuable. The soap making industry was a great market for that and now with synthetic detergents that market has practically ceased. Hides are meeting competition from plastics and many other synthetic uses. There is a necessity to develop these new types of products the consumers seem to want and are willing to pay for.

The third problem that may be of some importance to the industry is that the industry is one who buys livestock from the producers. It sells its products to the retail trade. Often it does not deal directly with either the producer or the consumer, certainly not with the consumer and quite often not with the retailer but through some intermediary. There looks to be a tendency towards some concentration of bargaining power in the sellers of livestock, there looks to be a greater concentration of power on the part of retail distributors of meat, that is, the growth of large retail organizations who are buying direct from packers and have a strong bargaining position because of their size. All these things will tend to put some competitive pressure on the packing industry. I don't know whether the words "competitive pressure" are right because it is really a concentration of economic power in the people who

are doing business with the packers. At the same time the packer is going to have to provide these extra services. So, if he is going to have the capital to expend and to develop as is desirable, this whole trend is going to make it more difficult for industry to maintain a reasonable margin of earnings that it will need to develop.

There may even be continuing demand for various types of economic controls and regulations which would in general affect the flexibility of prices of livestock or meat which has been one of the strong points of the industry. It has only had to move its annual production at the best possible price and the best possible markets and if there are too many of these artificial elements introduced it may react to some disadvantage to the whole industry in moving its products quickly and efficiently to the best available markets.

I think, gentlemen, that concludes our presentation in addition to what we have said in our brief and I am sure I will try to answer any questions you may have.

THE CHAIRMAN: Thank you very much,
Mr. Leckie.

MR. STEWART: You are not too much exercised about this economic squeeze on both sides, are you?

MR. LECKIE: Well, frankly, the very narrow margin of profit in the industry over the last 10 or 15 years does not leave much room if this would have the effect of further narrowing the spread but, of course, I believe the question was raised this morning, as to

what would be the ultimate effect on the consumer. You will be hearing more about that this afternoon. It depends whether these extra costs -- for example, if higher prices are negotiated for livestock and the packers' price too, based on both his extra costs for services and raw material, it might eventually end up in higher prices to the consumer. Part of that would be offset by the bargaining power on the part of those who sell to the consumer but I think it is a real -- I am more than a little concerned because the industry has not been able to devote the time to research that has been required. Our industry has been able to draw upon American packing industry experience to quite an extent. They have quite an extensive research organization in the University of Chicago but our industry should actually set up a research agency of a similar order.

MR. STEWART: What is your percentage of sales to profit? I think it is in your brief 1.7.

MR. LECKIE: I think we show it in our Appendix as 1.7. One of our farmers who is not the least efficient I believe averaged for the ten years as shown, a percentage of 1 percent. That is about two-fifths of a cent to every pound of meat sold. So it is a very small percentage compared with other industries but by volume of purchase and frequency of turnover the industry survives.

MR. STEWART: It seems to me your evidence on the expansion of domestic demands and production in export markets was closely similar to that of Dr. Hope's position in these matters. You seem to be a little more

optimistic about expansion in exports with new land and cattle production?

MR. LECKIE: I am not quite as optimistic, possibly, as Mr. Belyea was previously on the total output of hogs. I think Western Canada has an advantage in hog production if they saw fit to really go after it. I was only quoting some other people as to what this northern Ontario potential is. I think southern Ontario has been quite a heavy producer of livestock. I don't see with these higher prices that we are likely to get with the present amount of grain we are producing and other factors in western Canada, I can't see that southwestern Ontario with probably the heaviest concentration of livestock in Canada may expect too much improvement. I do see some possibility of producing more grass fed cattle in northern Ontario than in the southern areas.

MR. STEWART: You seem a little more optimistic about a profitable market in the United Kingdom?

MR. LECKIE: Well, it is getting closer, closer to the time where, on the economic basis for the last five years, even without a dollar shortage we would not have been able to afford to get into that market with the price we had in this country and the United States but if they could only solve their dollar difficulties it might be a very useful supplement to our present outlets but whether we would ever go in to an extra-curricular type of operation and give up our other business to the United States, I don't know.

MR. STEWART: Are the demands of the two markets likely to become more similar?

MR. LECKIE: I think there is some indication from the British sources that are really interested in such things as packaged sliced bacon. Whereas we used to ship the whole Wiltshire side which was cured over there and sliced a different way than we slice it now, there is more of a trend to selling some of the similar types of products to ours. I don't know if we would ever package bacon a little closer to our own type of distribution.

MR. GUSHUE: It has been said somewhere -- I forget now where -- that the change in consumer buying habits is bound to have a very marked effect on the meat packing industry, that is, the buying of the small meat package in chain stores and supermarkets. Is that likely to result in business such as the utilization of parts of the animal that are now thrown away and so on, or have been thrown away? I am thinking of the fat and so on that is not included in your small packages.

MR. LECKIE: Yes, I do think that that will -- certainly that type of operation tends towards higher efficiency because you get all your by-products concentrated at the packing house level and it can be used for a bone-meal, livestock feed and fat, whereas if they went to the store they were cut up and thrown out before they were wrapped up.

MR. GUSHUE: Given to the family dog?

MR. LECKIE: Yes. The whole tendency is towards more operations in a central place. I am not saying the packing industry is pressing for more of these services, but we feel that packers are better equipped to

do some of these things in a central depot. I would think they would like to get rid of some of these cuttings from the packaging but in many cases it would have to be quick frozen meat. Steak would have to be frozen and that would be an expensive product but it will be free of waste and a very expensive product.

MR. GUSHUE: Is that likely to bring about a greater concentration of the industry in a lesser number of larger plants and so on? I notice you have in your appendix A, several companies with a number of plants and quite a number with just the one plant. Do you think that will lead to a concentration?

MR. LECKIE: Well some of those ones with single plants are quite a stable operation. They have only one good plant that is servicing a certain market. They have enough volume to do the operation efficiently and they don't have so great widespread managerial problems but by and large it might have a tendency towards greater concentration but some of these smaller plants will probably go into the fresh meat business or restrict their operation to that type of thing.

MR. GUSHUE: Not likely to be a major upheaval?

MR. LECKIE: No, I don't think there are any signs of any major upheavals in the industry.

THE CHAIRMAN: When you were speaking of the new production of grain in the future I think you said it could be increased considerably by the use of a better method of the use of fertilizer and so on. Would you like to say a word or two on that subject?

MR. LECKIE: Well, that forces us usually to look at what has happened in the United States. The corn industry, the hybrid corn has only been in operation 10 or 15 years and the harvest of corn -- I have not the figures here -- but I was looking at them not too long ago and there has been a substantial increase in the per acre yield of corn which is of the hybrid variety and also through the use of fertilizer. I was reading another article recently about the hybrid corn, a sorghum, the tremendous use they could get from the increased hybrid there and maybe the increased fertilizer they have been using on the potential production per acre. It is much larger. Look at the yield the United Kingdom gets in some of their grain crops compared with us and in many cases we have better soil resources but they have higher yields and a greater application of production per acre. If western Canada would start to use fertilizer as used in Kent County in Ontario I would hate to say what our yield would be if we got sufficient rainfall.

THE CHAIRMAN: You think we would have sufficient carryover?

MR. LECKIE: I think we would have enough to worry about.

THE CHAIRMAN: Well, thank you very much, Mr. Leckie, and Mr. Masse and Mr. Henderson. Thank you very much. We will adjourn until 2.30 o'clock.

(At 1.00 P.M. the Commission adjourned until 2.30 P.M.)

A F T E R N O O N S E S S I O N

APPEARANCES:

Mr. Robin Morry, Lever Brothers Ltd.,
President, Institute of Edible Oil Foods,
Miss M.P. Hyndman, Q.C., Barrister,
Wegenast and Hyndman, Toronto,
Mr. Ken Standing, Managing Secretary,
Ontario Soya Bean Growers Marketing Board,
Mr. A. R. Gillespie,
Victory Soya Mills Ltd.
Mr. Felix Lehberg,
Lever Bros. Limited,
Mr. Arthur May, Managing Director,
Institute of Edible Oil Foods.

Mr. Lewis J-B. Forbes, President,
Canadian Association of British
Manufacturers and Agencies,
Mr. H.G. McHaffie, Vice-President
for Ontario,
Mr. W. F. Loughheed, Consultant Economist,
Mr. John L. Bonus, General Manager.

Dr. J.R. Mutchmor, Secretary,
Board of Evangelism and Social Service
of the United Church of Canada.
Rev. Arthur Love, United Church of Canada.
Rev. Hugh Rae, Ottawa and District
Conference, United Church of Canada.

Mrs. H. R. Kemp, Vice-President,
The Canadian Association of Consumers,
Mrs. J. L. Halpenny, Member of Executive,
(Toronto)
Mrs. W. G. Weir, Member of Executive,
(Ottawa)
Mrs. Clifton-Graham, Member of Executive,
(Ottawa)
Mrs. W. R. Walton, Member of Executive,
(Oakville)
Mrs. A. G. Brewer, Member of Executive,
(Montreal)
Mrs. J. L. Savage, Member of Executive,
(Toronto)
Mrs. H. S. M. Carver, Member,
Economics Committee.

THE CHAIRMAN: Well, shall we come to order, gentlemen? Mr. Morry?

MR. MORRY: Mr. May is going to produce our brief.

THE CHAIRMAN: Will you introduce your colleagues or will Mr. May do it?

MR. MORRY: The Institute is represented by Miss M. P. Hyndman, Q.C., Mr. Ken Standing, Mr. A. R. Gillespie, and Mr. Felix Lehberg of the Institute of Edible Oil Foods.

THE CHAIRMAN: Thank you, are you ready?

MR. MAY: Yes.

THE CHAIRMAN: We will mark your brief Exhibit 243.

MR. MAY: If I may make a reference before I start, Mr. Chairman and gentlemen, the Institute of Edible Oil Foods is a chartered non-profit organization and is the recognized national trade association and research organization of those industries concerned with:

(a) The growing of edible oil seeds.

(b) Edible seed crushing and oil extraction.

(c) The refining and processing of edible oils from the raw oils. And

(d) The manufacture of edible oil foods as used by the consumer or in the manufacture of other consumer foods.

The edible oil products with which we are concerned include, principally, shortenings - margarine

and other table spreads -- and salad and cooking oils. I understand that the procedure you would like me to follow is not to read the brief but to give some quick brief way of summarizing the subject matter of the brief. The brief proper begins at the bottom of page 2 where we make brief reference to oils and fats in the human diet generally but at the top of page 3 we then go on to say that the per capita consumption of edible fats is closely related to the general standard of living. More fats are added to the diet as the level of prosperity rises, and the maximum consumption level has probably not been reached anywhere, not even in Canada or the United States where the level in both countries is about 45 pounds per capita.

The relationship between income and consumption is illustrated in the following table, which was compiled by the United Nations Organization and is for the year 1941:

FAT CONSUMPTION in countries with a per capita income of:

Under \$100.00	7.9 lbs
Between \$100 and \$300	16.2 lbs.
Between \$300 and \$500	29.1 lbs
Over \$500	42.7 lbs.

There is brief reference to climate as a factor in the amount of fats included in diets and then we go on to say that the principal dietary sources of fats are butter -- lard -- margarine -- shortening and some sundry edible oil foods such as salad and

cooking oils.

Prior to World War I, Canadians obtained their edible fat requirements chiefly in the form of lard and butter. Vegetable shortenings were first produced about 1912. Somewhat earlier there were some mixtures of lard with vegetable oils sold, and such compounds continue to be marketed.

Various interests, including the dairy industry, protested the manufacture and sale of shortening on the grounds that it would have an adverse effect on sales of butter and lard.

An appeal for higher tariffs on imported vegetable oils in 1936 was referred to the Tariff Board by the then Minister of Finance, the Honourable C.A. Dunning. The Tariff Board rejected the appeal. It is interesting to observe that, since then, sales of lard have increased to about the same extent as shortening.

From 1938 to 1954 lard production went from 58 million pounds to 139 million pounds, while shortening grew from 41 million pounds in 1938 to 141 million pounds in 1954.

At the time of this hearing the manufacture and sale of margarine was prohibited under federal law. This law was declared to be ultra vires and margarine came on the Canadian market in 1949. The same protests and attacks which gave rise to the hearing are now being directed by spokesmen for the dairy industry against the sale of margarine, who now prophesy the same dire results that failed to materialize with respect to shortenings.

The following table gives a breakdown of the per capita consumption of the various edible oils and fats in Canada.

We think this table reflects the interchangeability of these foods in diets. Butter consumption, which reached an all-time high in 1942 of 33.1 pounds per capita had already declined by $4\frac{1}{2}$ pounds to 28.6 in 1948, the last year before the sale of margarine first began.

Between 1950 and 1954, the per capita consumption of butter declined by 2.8 pounds -- lard consumption increased by 1.2 pounds -- shortening by 0.9 pounds -- and margarine by 0.9 pounds. More than two-thirds of the decrease in butter consumption during this period is accounted for by increased consumption in lard and shortening.

There are many factors which enter into the uses of these various foods. For example, before the advent of prepared cake mixes, butter was used generally in cakes baked by the housewife. Today, butter has been replaced by shortening, which is used in cake mixes and in most cakes sold by commercial bakeries -- both of which products have largely replaced home baking, particularly in urban areas.

Consumer research shows that about half the margarine bought by Canadian housewives is used for cooking, frying and baking. Thus, margarine has probably replaced some shortening, lard and drippings for these purposes.

It is a mistake, therefore, to attribute

the decrease in the per capita consumption of butter entirely to the use of margarine.

Then at the bottom of page 5 we make some reference to population trends towards increased urbanization and I am quite sure that these considerations have been before you before and I don't want to make any more than a brief reference to it. Between 1931 and 1951 our urban population increased by 4 million and at the same time our rural farm population decreased by some 400,000.

While this is going on the dairy herd population of Canada has decreased fairly substantially and in the table on page 6 you will see that in the 25 year period between 1931 and 1955 we have practically a stationary population of dairy herds. We suggest then that these trends indicated by the reduction in farm population, of rapidly increasing urban population and the almost stationary dairy herd population suggest that we in Canada will need to be concerned in the future with the question of adequate supplies of not only butter but milk and there are also wide areas in Canada where fresh whole milk is no longer of common use.

In many places there is a great dependency on concentrated milk products.

The Edible Oil Foods industry divides itself naturally into four divisions:

1. The Original Producers of the Basic Raw Materials -- these include the farmers who grow the oil seeds -- which in Canada are soy beans, rape seed and sunflower seed -- those agricultural industries

who produce various animal fats -- together with that section of our maritime industries that produce edible oils.

2. The Crushers of the Edible Oil Seeds -- who take the harvested seed from the farmer -- separate the oil from the meal -- and sell the raw oils for refining and further processing, and the solids to be used chiefly as animal feed.

3. The Refiners of the Raw Oils -- who refine and otherwise process them -- irrespective of origin -- for use as raw materials in the manufacture of end use food products.

4. The Manufacturers of the Edible Oil Foods -- principally shortenings -- margarine and salad and cooking oils.

EDIBLE OIL SEED AND CANADIAN AGRICULTURE

At least forty different species of trees and plants throughout the world have been used for the commercial production of fixed or fatty oils. However, those which are of volume importance include -- soya bean -- rape seed -- sunflower seed and linseed -- all of which are now grown in Canada; and peanut -- cottonseed -- palm and palm kernel -- and coconut -- which do not grow in Canada. In addition, oils produced as a by-product in the manufacture of corn starches and syrups, from maize or corn, are also used in the production of edible oil foods.

CANADIAN PRODUCED EDIBLE OIL SEEDS

In the report of the Tariff Board hearing in 1938 on Animal and Vegetable Oils, referred to

previously, this statement appears:

"With the exception of Linseed oil
(not used in Canada for edible purposes)
all the vegetable oils consumed in Canada
are imported; hence, with this exception,
the Board has found it necessary to
consider only the effect of the competition
of imported vegetable oils with domestic
oils."

This statement -- true in 1938 -- no longer holds. One
of the most remarkable developments in Canada through
and since World War II has been the establishment of
a domestic edible oil seeds agriculture.

Soya beans -- which provide one of the most
satisfactory oils for the manufacture of margarine
and shortenings -- are now grown in substantial volume
in Ontario. Agricultural research has established
soya beans as a useful, profitable crop from many parts
of Ontario and Quebec.

Sunflower seed and rape seed are establishing
themselves as suitable crops for some areas in Manitoba,
Saskatchewan, and to a lesser extent in Alberta, with
every prospect for extending these oil seed acreages.

SOYA BEANS

The growing of soya beans -- to some extent
experimental, and for uses other than for edible oils
-- had begun in the Ontario Counties of Essex and Kent
through the 1930's.

The Experimental Farms Service of the Canadian
Department of Agriculture have for many years been

carrying on research with soya beans, producing suitable varieties, as well as conducting tests on method of culture in various parts of the country, but particularly in Ontario.

This research was accelerated after the war began. Commercial production of soya beans for oil came into being about 1942. And the table on page 9 shows what has happened to the development of soya bean production in Canada. We have increased our seed acreage from 7,781 in 1932 to 214,000 in 1955. Soya beans as a crop represents one of the most efficient uses of land in the production of edible fat and Canadian soya bean growing represents a form of agriculture that is efficient in a world sense. Canada can and does export soya beans and at world prices.

We then make a brief reference to the question of soya beans and soil fertility. This question of soil fertility is sometimes raised by spokesmen for the dairy industry in defence of their recommendation for government interference with the sale of margarine.

It should be remembered that great strides have been made in the use of chemical fertilizers to increase and maintain at high levels soil fertility. Most cereals in Canada, particularly in the West, are grown on fully mechanized farms on which there is no animal husbandry of any kind. The same is true of most of our orchards and vineyards.

Soya bean agriculture is particularly to be regarded as a desirable crop from the standpoint of soil fertility.

The soya bean is a legume with an inherent ability to remove its requirements of nitrogen from the air instead of the soil. The University of Illinois, with their classical experiment on "What Crops Take From the Soil" have shown that a 20 bushel per acre crop of soya beans harvested for grain with the straw returned to the soil, actually adds a small amount of nitrogen compared to a 50 pound loss of nitrogen from the soil with a 50 bushel crop of corn.

Soya beans are an excellent rotational crop. They fit in before or after corn, and leave the ground in exceptionally good physical shape for spring grains. Moreover, and most important, soya beans are good feeders at the second table. They do not respond to direct fertilizer applications on good fertility soils, but do best following a crop like corn or sugar beets that have been heavily fertilized. They are able to make use of leftover nutrients that would normally leach away or have changed into some chemical form unavailable to other crops.

Soya beans yield better on marginal types of soil than most other crops. As a result of soya bean development in Southwestern Ontario, many thousands of acres have been brought under cultivation which previously were wasted, idle land.

Soya beans improve soil tilth and physical condition through their ability to loosen and mellow the soil surface. This tilth improving property is of definite value on heavy clay and clay loam soils. Along with this improved physical condition of the

soil, as a direct result of this open, porous condition, a definite increase is found in the population of the important soil bacteria and other living organisms.

The soya bean is a dependable and hardy crop. It is more tolerant of drought and wet weather conditions than most other crops. In 1955, in many drought areas, when especially corn failed to produce, soya beans gave remarkably good yields under these conditions. In particular, the corn test plots at the Experimental Station at Ottawa were ploughed under as a failure this past year, while the soya bean plots yielded in the vicinity of 30 bushels per acre.

We then go on to deal briefly with the establishment of the Rape seed agriculture.

Rape seed is grown extensively in Europe for the production of edible oils and continuing research indicates that it probably will become an optional edible oil for many foods in Canada. And the table at the top of page 12 indicates the growth of this industry from 24,000 acres in 1946 to 136,000 acres in 1955.

We then deal briefly with the sunflower seed agriculture. The industry -- as with soya bean and rape seed growing -- began to assume commercial volume during the later years of World War II -- again with encouragement of the Federal Department of Agriculture. Seeding increased to 60,000 acres by 1945. Subsequent to the War, the industry declined from a variety of causes, the principal one of which was rust infestation.

Agricultural research now appears to have

resulted in the development of varieties of sunflower plants which are completely immune to rust. The rebirth of sunflower seed agriculture has resulted and the areas seeded are once again assuming important volume.

At the top of page 13 the table indicates the ups and downs of sunflower culture in this country.

Now, rape seed is grown largely in the Province of Saskatchewan and it grows over into Manitoba and Alberta. Sunflower seed too is largely in Manitoba and spills over into Saskatchewan and Alberta that are suitable for it, so we suggest that the value of this type of agriculture to Prairie regions that have been so long largely dependent on cereals, particularly wheat, is obvious.

The table at the foot of page 13 indicates the production of these three edible oil seeds in terms of potential totals. They show that we have produced oil from these forms of agriculture from 1946 of 50 million pounds to 1955 of 75 million pounds. We make reference to linseed. Linseed oil is not yet used in Canada for edible products and we make only a brief reference to it.

MARITIME OILS

For many years, throughout the world, maritime oils have been used in the manufacture of edible oil foods. Improvements in refining processes enable the elimination of all flavours and odours and the production of edible oils of absolute purity and blandness. Their production is of great importance to our maritime industries of both East and West Coasts.

It is not possible to determine the precise end use of these oils, many of which are also used for inedible purposes.

We then deal with the seed crushing and oil extraction industry.

Before the commercial growing of oil seeds could become completely practical for Canada, there had to be developed an industry for crushing the seeds and extracting the oils.

When oil seed growing first began this process was done by existing flax seed crushing mills. However, large modern crushing plants embodying advanced and more efficient technological processes became imperative.

Once again, the government and the exigencies of war provided the impetus, and the first plants were built in 1945-46.

There are ten companies operating twelve factories in Canada for edible oil seed crushing and oil extraction. Plants are located in Montreal (2 plants), Toronto (3 plants), Hamilton, Fort William, Winnipeg, Altona (Man.), Saskatoon, Medicine Hat and Vancouver.

These plants have capacity in excess of the present supply of domestic seeds. They import oil seeds for crushing and extraction, and to this extent ensure this further stage of Canadian manufacture in the production of edible oil foods. In addition to producing oils that would otherwise be imported as oil, they produce an increased supply for Canada of the meal used for animal feeding.

These companies -- as is the case with the oil

seed growers -- are able to operate within world market prices. Their products can and do find their unsubsidized way into world markets at world prices. And the table on page 15 gives an idea of the growth of that industry from 61 million pounds of seeds crushed in 1944 to 717 million pounds crushed in 1955.

Here you are directed to look at a table in regard to oil cake seed meal which comes after the oil is extracted and in 1955 a total of 550 million pounds of oil meal resulted from the crushing of oil seeds in this country.

We then deal with the refining of the crude oils and make a brief reference to hydrogenation. Most vegetable oils have a lower melting point than do animal fats, but in 1900 a process was discovered of raising the melting point of all liquid oils and thus turning them into solid fats. This process -- called hydrogenation, or hardening -- changed the outlook for the whole industry and has important implications for Canada today.

We then go on to the manufacture of edible oil foods for the consumer and then finally to the future of oil seed agriculture.

We also go on to say that the final stage in the sequence from edible oil seed growing to consumer use is the manufacture of the end products -- principally shortening, margarine and salad and cooking oils.

All these foods are recognized by nutritionists as wholesome pure foods -- interchangeable in human diet with the animal fats such as butter and lard,

and equally nutritious.

Their development came as a result of a search of increased sources of fat for the human diet, and without them there would be critical shortages of edible fats throughout the world and also in Canada today.

They have achieved widespread consumer acceptability and, in many instances, consumer preference because of their satisfactory qualities. In addition, they often have the added virtue of being relatively lower in cost.

So much for retrospect. That is the review of the industry that we represent as to the past. We now proceed to the future of oil seed agriculture.

It is almost a certainty that the day has passed when edible oil seeds will be available on world markets at very low prices based on low living standards in the countries where many of them are grown.

(a) The increasing demand for oils and fats throughout the world -- arising from increasing population and from a rising standard of living -- is increasing more rapidly than is the available supply of fats and oils.

(b) There has been, since the war, an increasing utilization of these edible oils and fats -- in those countries on which the world used to depend for supplies. An example is the restriction on exports of oils and fats by India, which is expressly

intended to provide for the needs of its own peoples before supplying the export demand from other countries.

(c) This demand and supply trend has already become a factor in prices.

The index is on page 18 with 1938 equalling 100 and if you will glance at 1953 column you will see that the index is 800 and 700 and so on. This index will show price increases from 1938 to 1953 from 400 to 1,000 percent with an unweighted average of over 700 percent. The bottom table shows trend increases from 300 to 310 percent with an unweighted average increase of 243 percent.

It is improbable that all the problems that might arise in the development and expansion of our oil seed agriculture have already arisen and been solved. But we have in this country one of the finest experimental farm organizations that exists in the world. Their research has already contributed beyond measure towards our present level of development and undoubtedly will contribute much more.

Our agricultural scientists are constantly occupied with problems related to our climate and our northern geographic location. The search is unending to produce varieties of plants of shorter maturing time so that they might avoid the risks of late spring and early autumn frosts.

As a matter of interest, one of the most outstanding examples of successful research of this type in Canada is tobacco. Within the life of us all here we have reversed our position from that of a country

which imported all our commercially used tobacco -- chiefly from Virginia -- to a country that now produces all the tobacco we need, with exportable surplusses. We have extended the commercial growing of tobacco from a small area in Norfolk County in Ontario to include wide areas of Ontario and Quebec.

The reason lies in agricultural research and scientific experimentation. Plants have been developed that mature quickly enough to be grown in shorter frost-to-frost areas and in areas of hardier climate.

Research is, of course, continuing to do something of the same thing with soya beans and other edible seeds, and we have no doubt the same important achievements will result as was the case with tobacco. Already there has been developed in Canada one of the finest and earliest soya bean varieties.

With regard to the future of edible oil seeds, it is the considered opinion of agricultural scientists concerned in this matter that Canada is already capable of self-sufficiency in the production of edible oil seeds, with certain exceptions of perhaps relatively minor imports of oils required for their unique blending qualities.

We then try to take a look at the point of view of the consumer with regard to the future of this industry and we say:

The existence and wellbeing of this, as with most industries, is dependent entirely upon the consumer acceptance and continued purchase of the

products which it produces. It is this constant striving for public goodwill translated into buying that gives imaginative impetus to most businesses under the free enterprise system. This -- and the ability to compete in the market place as to both price and quality -- in general determines the measure of success or failure of any business.

Then we complain of the impediments that have been placed in the way of the normal growth of the industry that have arisen because of the ability of the industry to compete successfully with the products of other industries on this basis of quality and price, and chiefly price.

We point out that for more than 65 years the Canadians were denied the right to buy margarine under federal law. This margarine ban was finally removed by a declaration of the courts at the insistence, and because of the insistence of Canadian consumers. Their contention was that a nutritious food, which was good enough for the Canadian people during the First World War, and good enough for our soldiers in both wars, was not to be denied the Canadian people by a restriction in the Dairy Industry Act. There was, of course, no similar prohibition as to cooking and salad oils or shortening.

Since the declaration by the courts in 1948, margarine, as well as other edible oil food products, has been used widely by consumers, except in the Provinces of Quebec and Prince Edward Island where prohibition against the sale of margarine continues under

provincial law. In addition, there is a ban on colouring margarine in all remaining provinces except Newfoundland and British Columbia.

And this use of either margarine or shortening has not been at the expense or the destruction of the Canadian dairy industry. It was necessary for Canadians to have access to, and to use, all the fat foods that have been available and they will continue to depend on the vegetable oil foods more and more as time goes by.

The National Dairy Council was wrong when it prophesied in 1936, the ruination of the dairy and hog industries in Canada if vegetable shortenings were to continue to be sold without further legislative penalties. We believe them to be equally wrong in their present dire prophesies as to the future of their industry in face of the continued sale of margarine. Indeed, events since margarine first went on sale in 1949 have already proven them to be unrealistic in their forecasts.

In 1948 -- the last pre-margarine year -- Canadians consumed about 19 million pounds more butter than was produced here. We imported about 15 million pounds that year. We again imported butter in 1950 and 1951, when butter consumption was about 25 million pounds more than domestic production in the two year period.

We show a table showing what has happened since margarine first went on sale. An examination of the table on page 22 shows the production and consumption of butter and the consumption of margarine since 1948.

In the period since Margarine has become available, Canada has bought some 2,195,000,000 pounds of butter and has consumed 2,146,702,000 pounds. In the same period we have consumed three-quarters of a billion pounds of margarine.

In the seven year period, Canada produced about 50 million pounds more butter than we consumed. However, it should not be assumed that this difference represents surplus production. At the beginning of this period stocks on hand were inadequate. We were importing butter and prices, because of inadequate stocks, had risen to about a dollar a pound.

THE BUTTER SURPLUS

These facts should be kept in mind whenever consideration is being given to whether or not there does exist in Canada today a butter surplus, and to what extent existing stocks are surplus.

Whatever stocks of butter exist in Canada which might be deemed to be surplus to our needs are owned by the government and have been bought under the price support programme. Under this the government guarantees to buy all butter which the producer is unable to sell in the ordinary way at a price of 58 cents per pound. The dairy industry, therefore, has been paid for the surplus stocks.

It is, of course, impossible under any programme of guaranteed marketing and fixed prices to achieve a level of production that will exactly balance demand. It is inevitable that there will be produced each year more or less than is required.

Whatever the butter surplus might be, at the moment, it is obvious that, if margarine and other edible oil foods had not been available to Canadians over the past few years, there would have been -- and there would exist today -- critical shortages, and most certainly substantially higher prices.

There would be no butter surplus if the price of butter was not fixed arbitrarily. The law of supply and demand would soon ensure -- if allowed to function -- butter prices low enough to liquidate all surplus.

However, one of the purposes of the government price support plan is to prevent prices soaring to unreasonably high levels in the period of off-season shortages, and also to prevent prices dropping to unreasonably low bargain levels in periods of high production.

In the seven year period since margarine first became available, Canada has produced some 2,135 million pounds of butter and has consumed some 2,147 million pounds, and in the same period has consumed some 729 million pounds of margarine.

It is improbable that even spokesmen for the dairy industry will claim that they could have provided any substantial part of this 729 million pound supply of essential table fats represented by the consumption of margarine.

This margarine was bought at an average price of about 30 cents a pound below the price of butter, and therefore represents a saving to the

consumers of over 250 million dollars. And they would have saved an additional 25 million dollars if margarine had not been subject to sales tax -- a tax which is not levied on butter.

THE SOCIAL NEED FOR LOW COST FATS

It should be remembered that there are many people in Canada who are unable to buy all the bread spreads and cooking fats they require at the price of butter today. These people would be compelled to get along with less fat in their diet if margarine and shortening were not available. These people would be chiefly in the low income, large family groups.

The importance of this question of an adequate supply of edible fats at prices which people can afford to pay is evidenced by the action of the Newfoundland government in this matter, in the negotiations which led to the union of Newfoundland with Canada.

Although margarine was banned in Canada at that time, Newfoundland made it a condition of Confederation:

(a) that margarine be permitted to be sold in Newfoundland after Confederation, and

(b) that the 10 percent sales tax would not apply to margarine.

When margarine went on sale in the rest of Canada the sales tax exemption authorized for Newfoundland was not extended to the other provinces. We believe this to be the only instance of a federal tax being levied on nine provinces only, with specific

exemption for the tenth province.

We then deal briefly with the essentiality of edible oil foods.

Shortening, margarine and other edible oil foods are not foods that Canadians might or might not be expected to tolerate. They are an absolute necessity to an adequate fat level in the Canadian diet. We have reached a point where Canada can no longer obtain our necessary table fats without their use. This should not be surprising; it is part of a world trend.

It should be remembered that:

(a) These foods are interchangeable and equally nutritious.

(b) Both are agricultural products
The controversy is not between the farmer and some urban industry but is between two farm products.

(c) To legislate or otherwise restrict the use of these foods is to discriminate in favour of the higher priced food and against the lower priced foods, and to discriminate largely because the optional food has the virtue of low cost.

OILS AND FATS - FUTURE REQUIREMENTS

It can be reasonably assumed that the long term trend towards a lower percentage of rural population to total population will continue.

Assuming that our population will continue to increase at about three percent per year -- and assuming that we will continue to require and use some forty-five pounds of edible oils and fats per capita

per year -- and assuming that the division of the various edible oil and fat foods continues at the 1954 level -- we arrive at the following:

<u>Year</u>	<u>Population</u>	<u>Butter</u>	<u>Lard</u>	<u>Short- ening</u>	<u>Marg- arine</u>	<u>Other Edible Fats & Oils</u>
	(Thousands of	(Thousands of	(Thousands of	(000 omitted)		
1954	15,195,000	315,000	127,000	155,000	115,000	54,700
1956	15,987,000	329,000	134,000	163,000	121,000	58,000
1961	17,740,000	365,000	149,000	181,000	135,000	64,000
1966	19,543,000	402,586	164,000	199,000	148,000	71,000
1971	21,390,000	555,340	180,000	218,000	163,000	77,000

(The population forecast is from the D.B.S. Population Projection 1954)

What is the logical conclusion that must be arrived at from these figures? It is that there appears to be a very real danger that there will be both a milk and a butter shortage in the not too distant future. If consumption rates remain constant there would have to be an increase in butter production, between 1954 and 1961, of some 240 million pounds.

It is reasonable to think that there would be at least a similar rate of growth in the following decade. This would mean that in 1981 Canada might well require some 843,000,000 pounds -- almost three times the 1954 production rate.

To produce this quantity would require a vast increase in our dairy herds. Past experience suggests that this is most unlikely to take place for, in the years 1941 to 1949, before margarine was available, the dairy herd population remained static at just over 3,600,000 head, while the population of Canada increased

from 11,507,000 to 13,447,000.

With the relentless increase in the population of Canada and its growing urbanization, in relation to the available arable and pasture land, it will be more and more necessary to use the soil for the production of the maximum amount of nutrition.

With respect to fats, this can only be achieved by increased edible oil seed acreages and by increased use of edible oil foods.

To illustrate this point, it is admitted by agricultural authorities that the cow is an inefficient means of producing fat. In a study in 1943, for example, Raymond P. Christensen, a U.S. Department of Agriculture economist, found that per acre the cow produced 46 pounds of butter fat compared with 150 pounds of fat from soya beans.

It is therefore our considered judgment that unless a tremendous programme of expansion of dairy herds is undertaken immediately -- and this is most improbable -- the likelihood of there being sufficient butter available for consumption at present rates is extremely remote.

This is what the Minister of Agriculture, the Rt. Hon. J.G. Gardiner, meant when he said -- as he is quoted as saying in a speech in Winnipeg recently -- that "we are in danger of having a butter deficit".

To avoid a serious shortage of the fats so vital to our nutrition and to avoid Canada being dependent on an uncertain future supply, we feel that it is essential that every possible encouragement should

be given to research and development of the edible oil industry. It is in this direction only that Canada can hope to become a self-sufficient fat producer.

Far from encouragement, however, it is well known that, prompted by dairy interests, various provinces have imposed restrictions to discourage production and consumption of edible oil foods. These restrictions show signs of yielding to the pressure of economic necessities and to the realization that there is both a social need, as well as a nutritional need, for margarine.

COLOURING

Most winter butter is normally almost white, and it has artificial colouring added to make it look like rich yellow summer butter. The same privilege is denied to margarine in most provinces. In the United States coloured margarine may now be bought in 46 out of 48 states.

Perhaps no more irritating and senseless law has yet been devised by legislators than the colour ban on margarine. It outrages commonsense. The end result is to require Canadian housewives, tens of millions of times a year, to use twenty minutes or so of time mixing into margarine the colour that the manufacturer would be willing to mix in the first instance.

Having said that we now come to our conclusions. We believe the time has come for everyone concerned in this matter to recognize that

both the dairy and the edible oil foods industries are equally essential if we are to continue to have available the level of edible fats demanded by our standards of living. Certainly the dairy industry cannot do this alone. And this concept will apply to many other edible oil foods. Already in the United States large dairies are now selling excellent ice dessert creams made with soya fat instead of butter fat.

The discovery some 150 years ago that edible oil foods could be produced from vegetable and animal fats was one of the most important ever made. Without this knowledge -- and the foods that the original discovery and subsequent research have made possible -- the world, and Canada included, would be confronted with serious edible fat shortages. These foods contribute to our high standard of living and are as important in the realm of food and nutrition as are inventions in other fields, such as cellophane -- nylon -- and even the development of atomic power.

CONCLUSION

If Canada is to maintain at least the present per capita consumption level of fats, it will have to obtain them on an increasing scale from the edible oil foods industries.

And therefore if for no other reason, steps should be taken to encourage, rather than hamper and restrict, research and development within these industries.

In the first instance, this encouragement

might take the form of:

1. Expanded research on the growing of oil-bearing crops, especially with regard to the three Prairie Provinces.
2. Removal of outmoded restrictions and taxes on edible oil products.
3. Studies on ways of increasing the productivity of farm land in terms of greater returns to the farmer in fewer man hours, more revenue and more nutrition.
4. Research into new foods made from a combination of edible oils and dairy products.
5. And finally, the acceptance by legislators and the public alike of the fact that these edible oil foods are essential to our well-being as Canadians, and that our dependency on them will increase as the years go by.

I stand ready to be questioned and these gentlemen are ready to answer any questions.

MR. STEWART: Mr. May, in some evidence that we received this morning, it was suggested that nutritionists viewed with some concern the increasing consumption of fats. This view was expressed in the form of a comment.

MR. MAY: I would like Mr. Leberg, if he will, to deal with that.

MR. LEHBERG: Mr. Commissioner, there appears to be no evidence either in North America or in the world generally of any decrease in fat consumption. Rather, I would say there is a tendency for

increased fat consumption. Fat in the diet has three major functions -- one, a fuel; two, as a protection against mechanical injury, and three for the transmission of vitamins, and any deficiency in fat, particularly in this climate as we saw during the war results in embarking on a fat programme on the part of the public. We can see it as late as 1933 or 1934.

European countries are very much higher than we are. For instance, Norway 56.9 percent per capita, Denmark 55.6 percent, Holland 56.7 percent with no indication of any decrease.

MR. STEWART: If I remember the Canadian food rules, they used to obtain a suggestion that a given proportion of the fat ought to come from animal sources. Is there any difference between the animal oils and vegetable oils?

MR. LEHBERG: No, I don't want to enter into that factor if we can avoid it because of the Cholesterol story, but generally speaking, the animal foods are higher in cholesterol than vegetable oils.

MR. STEWART: In the table on page 4 there, the year 1942, you indicate you have reached a high point of 33.1 pounds of butter and then between that and 1948 which was the last year before margarine came in, there was a decline. I take it that the reduction after 1942 was primarily due to wartime conditions, restrictions, limitations in supply and so forth?

MR. MAY: I think that that is

unquestionable. Mr. Lehberg is the authority there. He was the chief adviser to government when that was going on.

MR. LEHBERG: That is correct.

MR. STEWART: I get the impression that you were suggesting there had been a substitution during this period before margarine came in and that there was a reservation in the minds of everybody?

MR. MAY: I made the statement but I think the inference you are taking from it is not what I wanted to imply. I wanted to show on the table something implied that there is a great interchangeability of products. That something has happened to make us use less lard and if you look at this table it will answer your question in that from 1951 to 1954 margarine consumption has remained constant, 7.5 to 7.6, and that the butter consumption has gone down 22.5 to 20.6. Now, the point I was trying to make is this, the interchangeability of these fats. There was no evidence of that. I agree with you that what was a shortage in the last few years was what brought about the wartime condition that brought about the decline.

MR. STEWART: Can you tell me what sort of price the farmer has been given for soya beans at the farm? Is it sold by the bushel?

MR. LEHBERG: Soya beans are sold by the bushel. The Dominion Bureau of Statistics figured the average price per hundred for the crop previous to the last one was \$2.40 for the season.

MR. STEWART: So that they are fairly

constant? Has that been fairly consistent for a period of time?

MR. MORRY: That has been fairly consistent for a period of time. The price of soya beans is very consistent in Canada. They are dependent in the sense we import as many soya beans as we grow in Canada. Our price is pretty representative of what they can be purchased for in the United States and I think Mr. Lehberg on page 9 on soya bean production points that out. There was quite a big decline in acres between 1954 and 1955 and when we analyzed that we found that the 1954 crop price declined rapidly from harvest time right through to the next harvest time whereas the price of corn which is a very competitive crop on the farm, stayed fairly stable, so that the farmer was inclined the next year to grow a little more corn and a little less soya bean and I think that is what caused that decline, and that is the major concern we would have if we went out to get a big increase in soya bean production. If we wanted to get a self-sufficiency we would have to eliminate that.

MR. STEWART: I suppose the production of these oil seeds is probably confined to the areas in which corn would be competitive. It is these sorts of climatic conditions?

MR. MAY: Well, some three years ago we got into our first sizeable production of soya beans in the Ottawa area. Some of the very best varieties of soya beans produced on the North American continent

have been developed here on Ottawa farms and we have had some outstanding yields, not on a plot basis but on a whole farm basis in the Ottawa Valley area and any land that is suitable for low crop production is suitable for soya bean production. In fact in Manitoba this year they had very satisfactory soya bean production in southern Manitoba.

On page 14 at the top it is stated:

"It should be stated that not all the oil resulting from these domestic edible oil seeds are used in either margarine, shortening or other edible oil foods."

And it is impossible to say what quantity is produced in Canada, how much we use for production of edible fats.

Might I say this, I don't think you can trace it through to its final destination for any of these specific oils alone. They are so interchangeable. Have you any comment, Mr. Lehberg?

MR. LEHBERG: Certainly all the sunflower seeds go into domestic prepared fatty foods and things of that kind. The rape seed is still under investigation. A few manufacturers in Canada wish a further investigation into the nutritional value of rape seed oil. Rape seed is used to a very, very large degree but we have referred the question to the National Research Council.

MR. STEWART: What are the other uses that soya beans are put to?

MR. LEHBERG: Some goes into synthetic resins

and into the paint industry. Some goes into the protective coating of the linoleum type, but the majority of it goes into the edible foods. The firms that are engaged in the extraction of oil, this is one of a number of industries, but it is a specialized function.

MR. GILLESPIE: We have three firms crushing soya beans at the moment, that is, firms that are crushing soya beans on a 12 months basis.

MR. STEWART: With regard to the imports in the table on page 19 showing imports of oils and imports of beans which are crushed, what are the main sources of the items in that table?

MR. LEHBERG: Cottonseed from the United States, soya beans from the United States, Palm from West Africa, cereal from the Philippines. I think that would cover palm oil too.

MR. STEWART: And from each of these sources it may come as a bean or as oil?

MR. LEHBERG: In column 1 it is oil, column 2 represents seeds in terms of soya beans from the United States exclusive copra which is the source of coconut oil, largely from the Philippine Islands.

MR. GRAUER: The brief states that it is possible for Canada to produce a large amount of these things. Would it be possible, for instance, that the production of beans here requires tariff protection as against the United States or what is the situation there?

MR. STANDING: I think I can speak to that in representing the producers who have analyzed the situation

in regard to whether or not a tariff is desirable on soya beans entering Canada or a tariff on edible oils that might come in to replace soya bean oil. I think the future expansion of this industry may be somewhat dictated by the foreign policies of our neighbour to the south. Our growers are very conscious ---

THE CHAIRMAN: Foreign commercial policy.

MR. STANDING: Since half our soya beans that are crushed in Canada come from the United States and the number of foreign aid and relief policies the United States government has, and the growers seem to want to know about them and we sometimes have to explain them, it is a possibility that indirectly we may be affected by large supplies of soya beans in another country. Sometimes we think we are selling our soya beans on the United States average price but we find that does not apply to corn. They are selling corn we feel, about one-third below the United States floor price. I don't think that soya bean production in Canada will out-and-out make us self-sufficient in our present soya beans need unless there was some assurance that unusual conditions in another country would not affect our market adversely, because there is not any doubt about it, price is a factor in producing soya beans along with the fact that it is an extremely low labour crop. About the lowest labour crop available and the rapid expansion of soya bean production during the war was because we couldn't get manpower. That would be the only thing for an out-and-out production of soya bean we would have to have some assurance that

we could compete with this cheap foreign oil and not upset the price drastically. I don't think there is any chance of soya bean not increasing rapidly. I don't think you can stop it because it is a great agricultural adventure.

MR. GRAUER: There is a certain amount of high production in the States and in certain periods they tend, I guess, to dump their products in this market?

MR. STANDING: We do concern ourselves with something that might be dumped here but our dumping law is effective. We had cause to investigate that in the past season. If there is an over-production in the States that is taken care of by our dumping laws. We are not afraid of that. What we are concerned with is that if there is a surplus it depresses the general trading market and there we would be subject to the lower price.

MR. GRAUER: Aside from their international policies which you describe, I take it you think the cost of production here is as good as in the United States?

MR. STANDING: That is correct.

MR. GRAUER: What about the export field, is there any possibility of an export market in oil?

MR. GILLESPIE: We have exported, I would say, about 70 percent of our production of meal and 40 percent of our production of oil. That would not apply to a yearly basis. It is during the heavy crushing season which is three months of the season.

MR. GRAUER: Are there reasonable prospects for an expansion of that trade in the future?

MR. GILLESPIE: Primarily as far as the meal goes the United Kingdom with their preferential tariffs are a very good market for us. As far as the oil goes, there is not sufficient demand for soya bean oil at the moment to take care of the full production but all the plants are going full out.

THE CHAIRMAN: Mr. May, you said there were two provinces in which the sale of margarine is banned. I know about Quebec. Which is the other one?

MR. MAY: Prince Edward Island which is a dairy province, of course.

THE CHAIRMAN: We heard from Mr. Peter Norden in Quebec City representing the dairy industry, but I wonder, Mr. Lehberg, when you were both in the trade during the war whether you had any disagreement?

MR. LEHBERG: No, we had a very happy relationship. At that time margarine was not permitted.

MR. MAY: Mr. Chairman, I was associated with Peter Norden too and have a very high regard for him.

THE CHAIRMAN: Thank you very much.

--- Recess

--- After Recess

THE CHAIRMAN: Well, Mr. Forbes, we will mark the submission of the Canadian Association of British Manufacturers and Agencies as Exhibit 244.

If you are ready, we will proceed.

MR. FORBES: It is not my intention now to inflict the whole report on the Commission and

I will just read a brief summary.

On behalf of the Canadian Association of British Manufacturers and Agencies. I would like to record our appreciation of the opportunity accorded us to present a brief to the Commission and to appear before you today.

The Association's brief has been filed with you and it is not my intention to read the whole submission; rather I would like to refer to one or two points and to answer any questions that you may wish to ask.

As we point out in our brief, the Association which I represent has its roots in the Federation of British Industries which for many years had representation in Canada. Many subsidiaries of British firms and agencies of British firms have become established in Canada over the years and representatives of many of these firms felt that an Association in Canada, (a Canadian Association), could further the trading activities between Canada and Britain -- hence the reason for our existence.

I do not think it is necessary to go into detail concerning the difficulties encountered since the outbreak of War in 1939 in maintaining a vigorous trade between Canada and Great Britain. I think Charts I, II and III in our submission spell out more eloquently than I can what has happened in recent years.

Since the war and arising out of economic developments, changes in trade patterns have occurred.

It will be noted in Chart I that from the turn of the century until 1945 the volume of Canadian exports to the U.S. and to the U.K. were fairly close together and since 1945 the change has been quite dramatic. On the Canadian import side of the ledger, changes have also taken place as may be seen in Chart II. Canada's trade since the war has taken on a very decided North-South bias.

The Commission is well aware of the dual nature of trade, that is to say, the significance of imports as well as exports, and it hardly need be emphasized that this is of concern to British trading interests in Canada.

As Chart III clearly shows, trade between Canada and Great Britain in 1950 nearly "closed the gap", but since that time the "gap" has widened due to the increased export of Canadian goods to Britain. There have been diverting influences noted elsewhere in our brief, but despite these we believe that it is in the Canadian interest to achieve a more balanced, rather than a heavily biased trade pattern. This view is generally held by Canadian economists who have given serious attention to the trade problems generally. Hence one long-run objective must be to close the gap.

We note in our brief certain difficulties facing British trade. Two great wars may have tightened the emotional ties between Canada and Britain, but they certainly disrupted the supply of British goods in Canadian stores and of British machinery in Canadian factories. The two wars also halted the flow of British

capital into Canada and the Second World War forced the liquidation of much British investment. During this period of dislocation Canadians turned to United States sources of supply.

The pull of geography has been even more decisive than the play of history; and the geography of North America runs strongly north and south. This has made the Canadian market for the American manufacturer less of an export market and more of a "home market".

In furthering trade between the two countries every means should be explored and we hope that organized sections of the Canadian community will take action and do, for example, what the British Columbia fishing industry did; make up a searching list of the things which they buy, both consumption goods and machinery, send a mission to Britain to study the supply of these and circularize their members persuasively on the need to give full consideration to British goods in their purchases. As the other missions have discovered, they will find this very much to their direct advantage. And in any case, as mentioned in the brief, we do not think it is a substitute for British people trying to sell in this country.

In the final analysis, we are interested in furthering the expansion of trade between Canada and Britain and I would read the final section of the brief -- Section VIII :'

In attempting to view the course of

economic activity ahead of us it might be useful, first of all, to consider, in brief compass, some of the factors that appear likely to exert some influence.

With particular reference to the Canadian scene these things are of significance (a) the shifting pattern of Canadian economic development, (b) the existing North-South trade bias, and (c) the Canadian position in G.A.T.T.

Canadian economists and business men have commented on the fact that the rate of economic growth particularly during the past decade has been such as to obscure many of the changes that have been taking place. Increased per capita disposable income relative to the pre-war period has served to alter patterns of consumer demand. Increases in the labour force, combined with technological developments have served to increase both manufacturing activity and manufacturing potential. An examination of the National Accounts -- National Income analysis -- show for example that from the beginning of World War II up to a year ago the manufacturing sector has increased its contribution from about 22 percent to 29 percent, while agriculture's contribution has declined from about 11 percent to 6 percent during the same period. With the labour force it is not unlikely that we shall see manufacturing and service industries make further relative gains in the period ahead. If, however, the objective of a high level of employment is to be maintained it appears, from this vantage point, that markets for manufactured goods as well as primary products -- both on the home

front and overseas -- must be enlarged and expanded.

Then we come to a talk about the diversification of trade, and a large proportion of the foreign capital originating in the United States. We go on to say that there seems to be a good deal of soul searching in recent years by Canadians concerning the trade arrangements that have emerged under G.A.T.T. This, perhaps is not the most appropriate medium to pay tribute to those involved in the establishment and development of trade programmes but it may be said that despite many difficulties, Canada has played and continues to play a leading role in maintaining the agreements. If it is possible through G.A.T.T. to establish the minimum of tariff and other trade barriers, there is little doubt but that standards of living will continue to improve in the trading world. This requires, however, not only that Canada should follow domestic policies consistent with these objectives but that she should continue to exert her growing international influence to the end that other like-minded nations should work together for their achievement.

Then we deal with one or two of the final points.

Turning now to the British economy, it is worth noting that expansion and development (technological and economic) are also the preoccupation of British businessmen and economists. If one can assume the course of future British economic activity, it must include the improvement of the standards of living in that area. This, of course, means the widening of British markets for many products. Hence the future

for Canadian exports to that market both of primary products and manufactured goods must be viewed in a favourable light.

This brings us to a brief consideration of the convertibility factor. It has to be recognized that to a very considerable extent sterling is already a convertible currency in which about half the world's trade is conducted at the present time. The removal of the remaining restrictions on payments and trade continues to be a major objective of the United Kingdom Government's policy, a policy which enjoys the support of other sterling area members of the Commonwealth, as well as of the Canadian Government. It is outside the competence of this Association to express a view on the speed or stages by which further progress will be made.

. Canadian producers of primary products are already dependent on markets much wider than that afforded by the Canadian domestic market and it does seem that other Canadian producers will increasingly be dependent on a wider market than that offered by even a greatly extended domestic market. Other Commonwealth markets, including the United Kingdom, have come to play an increasing part in the future pattern of Canada's trade.

It is equally clear that a buoyant and expanding Canadian market is a major interest of the United Kingdom. The British trader, in the widest sense of this term, has watched the Canadian economy expand and develop during the past decade. He has witnessed the changing pattern of the economy and has contributed,

where possible, to the expanding productive capacity of the country. The future expansion of his trade with Canada depends not only on his own efforts but on the growth of the volume and variety of Canadian requirements and on continued access to this market without burdensome restrictions and excessive tariffs or other legislative barriers. There seems no doubt that the growth of the Canadian economy is not only compatible with but will require and invite increased imports. It is the view of this Association that the United Kingdom export effort in the Canadian market will expand in width and depth and that British traders are alert to the growth potential of the Canadian economy and are increasingly aware of the contribution they can make both by expanding their direct sales and by increasing their investment in the Canadian economy. Such developments, we suggest, will be to the lasting benefit of both our countries.

THE CHAIRMAN: Thank you very much, Mr. Forbes.

MR. GUSHUE: Mr. Forbes, I would like to put this question on the basis not of Canada's buying from the United Kingdom but of the United Kingdom selling to Canada. I think we can take it that there are few, if any, people adverse in Canada, or people in industry, to buying in the United Kingdom. What is the real fundamental reason why the United Kingdom is not selling more to Canada?

MR. FORBES: Of course that is a very large question.

MR. GUSHUE: But it is a question from a little

different angle.

MR. FORBES: The reason they are not selling is apparently due to the fact that in the early days after the war, Britain just had not got the goods to sell in some instances and it is only, shall I say, in the last four, five or six years, that British traders have been coming more and more into Canada trying to sell. They have their problems too -- raw material problems, economic problems in Britain and so on which have also had to be overcome and there is the old bogey which has been raised on other occasions that the British trader tended to turn to the eastern market. That may have had some degree of truth but it is disappearing more and more and the people realize that the Canadian market is one that is likely to persist over the years if it is fully developed and those of us -- and I can speak from personal experience -- know that if the market is tackled seriously, if proper salesmen come out with the goods knowing what they are doing, they will get trade. I think it is really a part of the job of this Association to try and educate directly and through the Associations which support it in Britain the people who are interested -- show them how to tackle the market, to get down to it seriously and produce the goods that Canada will require. It will expand. Witness the fact that I think we are increasing our membership with new firms every year who are coming across. It is a slow process but you can't build up on what was a lack, quickly.

MR. GUSHUE: Well, I take it then that you feel there is cause for optimism in this respect?

MR. FORBES: Distinct cause for optimism.

MR. GUSHUE: And that if this feeling is justified the gap will close between imports and exports?

MR. FORBES: As we have stated in our brief it is a two-way business. Of course, the onus obviously is on the seller. He has got to do all he can.

MR. GUSHUE: That is why I put the question in that way.

MR. FORBES: But with sympathetic buyers as in many cases we certainly have in Canada, the gap will be closed in the other direction as well.

MR. GUSHUE: Let us assume the buyer is not sympathetic, which perhaps is not an ability of friends -- let us take the sympathy out, would you still be optimistic as to the ability of the United Kingdom seller to sell in the Canadian market?

MR. FORBES: Yes, but it will take a longer time.

MR. GUSHUE: Has part of the difficulty been that of deliveries, delayed deliveries on the part of British contractors when they make a contract not being able to live up to it? I am speaking now merely of the last several years?

MR. FORBES: In certain cases that is quite true. Some contractors and firms have not lived up to their contractual obligations.

MR. GUSHUE: That has been fairly widespread,

hasn't it?

MR. FORBES: I would not put it as wide as that. There have been some who do so and perhaps laid a share of the blame on those who have not done so, but the publicity goes to those people who have lived up to their obligations of which there are many. There are firms that I know intimately and I know they have lived up to all their obligations.

MR. GUSHUE: You are not suggesting the use of increased British preference as a means of building up trade?

MR. FORBES: I don't think that that is really a function of this Association. We are traders, commercial people, and we have got to trade within the fabric which governments decide. Whereas, of course, traders always want a lot of things which they don't always get, it is not our function to suggest changes in tariffs however much desired.

MR. GUSHUE: So you don't rely on that?

MR. FORBES: We have got to sell by producing the goods at the right time at the right price.

MR. GRAUER: Do you find any greater difficulties in the consumer goods field as opposed to the producer goods?

MR. FORBES: I am not so familiar with that. Perhaps Mr. Bonus could tell you that.

MR. BONUS: There are not any basic difficulties in selling our consumer goods here, I would say. It is just that the real effort in the

post-war years has been concentrated more on the heavy engineering and that is where we are newer to the market and where we have experienced some difficulties but also some strikingly good results and I would not say there are problems to our selling of consumer goods here. After all, it is the productive capacity of certain industries in Britain that has precluded some things being sold. I think we fill the market pretty well on these although some of the lines we are obviously pulled between the traditional and contemporary design.

THE CHAIRMAN: Well, thank you very much, Mr. Forbes. As you know, this is a matter that we have had before us on a number of occasions and we have covered it reasonably well. We are grateful to have your brief. Thank you very much.

I think we will take a short break before proceeding with the next submission.

--- Recess

--- After recess

THE CHAIRMAN: Well, are you ready to come to order, gentlemen? We are very pleased to welcome you, Dr. Mutchmor, at our proceedings and we will mark your submission Exhibit 245 and if you are ready, we will proceed.

DR. MUTCHMOR: Thank you, Mr. Chairman and members of the Commission. I have with me today representing the President of the Montreal and Ottawa Conference, Rev. Hugh Rae of Ottawa, who was formerly of British Columbia and representing the Chairman of the Presbytery, Rev. Arthur Love, who was formerly of

Saskatchewan. The brief, Mr. Chairman, begins with a few chapters of introduction in which we set out that we have tried in recent years to study some of the current economic and social questions and that on occasion we have had the privilege of appearing before some of the public bodies, Royal Commissions and interprovincial committees and other groups, and we believe that this is one of the orderly and effective ways to relate the concern of the Christian Church to the affairs of the state. We think it is in accordance with the teaching that the Church is the conscience of the State.

We are aware that there are various views of the relationship of the Church to the State but in the tradition to which we belong, we take note of this one, that the Church is the conscience of the State.

In the second place we wish to express appreciation for this opportunity we have to come before this Commission. We had noted in the budget address of Mr. Harris that he had used such words as "knowledge, inspiration and courage", and his reference to Divine Providence and we were pleased to see his references in the Minister's budget speech during which he announced the intention of the government to appoint this Commission and now that the Commission is appointed we express our appreciation formally of the work it has at hand and wish it well as it goes forward with those duties.

Being a minister, I must begin with a text and so I refer to the 12th Chapter of St. Luke's

Gospel, the well-known parable about the man who built a bigger barn. I heard a story the other day about a man who found himself in Calgary short of toothpaste. He just wanted a little bit to carry on until he got back home and asked the girl in the drugstore for a small tube. She handed him a carton marked "large". So he said he just wanted a small one. She said that was the smallest they had. He was interested to ask what was the next size and she said a giant size and "Was there a third one?", and she said, "Yes, a super". Now, we are in that kind of economy where we are thinking in very large terms and in the church and certainly in the communion that we represent we are somewhat concerned lest in this time of prosperity and production and power there should come these old problems of pride and of profligacy and paganism and so we make this reference to a part of the New Testament regarding the man who built a bigger barn and then he said when he had that done, then he would eat, drink and be merry, and of course, he came to a sad end.

In regard to authority we point out that this work which is far from adequate was before the Board of Evangelism and Social Service of which I am the secretary, and then more recently before the subcommittee of the General Council of our church which is our senior authority.

Now, not that we think that you require materials of a doctrinal nature but perhaps to stir up your minds by way of remembrance we have some quotations from the Ecumenical Reports. We go back

on page 3 to the Oxford Conference. It was written by the late Dr. William Taft that --

"In the economic sphere the first duty of the Church is to insist that economic activities, like every other department of human life, stand under the judgment of Christ."

There are a few references from the first Assembly of the World Council of Churches in 1948. We underline a few selections from that reference and then a couple of paragraphs from the Second Assembly of the World Council of Churches in 1954 and at the bottom of the page a couple of paragraphs from a report of the Church of Scotland, copy of which I got from Mr. Rae who was in the Old Land last summer.

At the top of page 5 we refer to the study of the National Council of the Churches of Christ in the United States, a study which had begun under the Federal Council, the predecessor of this national body -- a study of the goals of economic life and I trust it is in order to suggest that this Commission might have in its materials the six volumes of this study. I happen to have the first one here. This is the only work of its kind in which we have engaged relating in recent times at least, the physical and the economic and this study was made possible by a large grant from the Rockefeller Foundation and I think the work on it is reasonably well done.

In Section V we point out just briefly the

relation of the churches to Canadian history -- a viewpoint that is very well stated in the book "From Colony to Nation" and we note that the churches from which we sprung -- Presbyterian, Methodist and Congregationalist -- we note on page 7 that from early Canadian history these communions were active in Canadian life and had a bearing on economic and social character.

The next section on Culture is written in part out of the rather long report of our Church, entitled "The Church and the Secular World". We had that study prior to the Massey Commission and in this section there is just a brief but important reference to the need to have developed in Canada cultural aspects of our life and that the financing of these cultural aspects should come out of our economy. We think that this procedure should be in a public way and that there may be every kind of motive to attract individuals who may enter this field in the way of providing civic auditoriums and so on. I have stated as our judgment that this should be provided out of public funds and by the people and for the good of all the people.

At the bottom of page 8 you will note that Australia gives support from public funds for symphony orchestras but the Toronto Symphony Orchestra is dependent on a tag day in part at least. Other countries provide national art councils and so on but we are lagging behind.

On page 9 is the first of a few recommendations that we include in this report and you will note,

Mr. Chairman, that the recommendations refer to what we think the Government of Canada should do in supporting the development of the arts in this country and we think that a Canadian Arts Council should be established. I am speaking here just on my own, but we have been rather disappointed that the present government has not gone forward with the implementation of many sections of the Massey Report.

THE CHAIRMAN: That is the fate of a good many Royal Commissions.

DR. MUTCHMOR: That may be true, Mr. Chairman, but we want to support the Massey Report and whatever you may do with it through this Commission, give support also.

The next section is population and immigration. On the former point we state that we are aware of the rapid development of our cities in particular, of the suburban areas where the growth is of a striking and almost dramatic character and where the Churches of Canada are trying to do their best to provide for the religious needs both of the adults and children in these new districts.

Under the heading of Immigration we have noted the statistics which, of course, you will have in much fuller detail than we would possess, and then we have made a three or four point comment. We support the policy of a more generous immigration into Canada and we are pleased that organized labour has changed somewhat in its view in regard to this matter and now gives support to the more generous immigration policy.

In the second place we point out that as one religious body we will try to help those who come to our shores who have bitterness and hatred in their hearts, and who for good reasons have it there, to rid themselves of it. In the third place, we raise the question about the colour bar. While this is not in the report as such, we think it is going to become more acute if and when the Federation of the West Indies becomes a reality, if and when it gets a larger place in the Commonwealth and we have been troubled in our communion by information we get from time to time concerning the difficulties of some people from the British West Indies to make their home in Canada.

In the fourth place, we fall back on a phrase of the late Mr. King, that there should be no fundamental alterations in the character of our people and we urge that the Canadian immigration policy be in accord with that viewpoint and with the determination to provide to the churches information about the religious affiliations of immigrants. To date we have not been able to get that but we would urge that that be made available.

The major part of page 12 was written by one of our ministers who has given all his life to the service of immigrant people, more recently in the Niagara peninsula and has rendered conspicuous service. He has written down some three points. They are quite obvious to be sure but they are also quite important.

Going on from Population and Immigration there are a couple of pages on community life. These

pages were written by the Reverend Harry Morrow, formerly of Vancouver and now the Director of the University Settlement in Toronto.

Mr. Morrow, who is a graduate in social work and is well equipped, as you would judge from the fact that the University has put him into that place in Toronto, is greatly concerned about the downtown and inner-city areas of our great cities. He points out that individuals and families in these areas lose their sense of worth and dignity and makes it clear that even from the economic viewpoint, this loss is considerable. So on page 14 it might be well to read:

"This might seem a personal matter, but as these people withdraw into themselves, they become extremely lonely and some become problems to themselves and the community. There is not the social support of a neighbourhood to help the weaker members of the neighbourhood. Some of these weaker members develop anti-social habits in the absence of more positive support. Some stagnate because life has no challenge and the creative aspects of life are neglected. In a strong neighbourhood there is a mutualness that the inner city lacks. The impersonal quality of the large city or urban area is a destructive force in terms of human values."

And then he goes on to plead for recreation centres, social centres, and, of course, the financing of that

out of public funds. And at the end of that page he states:

"If Canada is to have a healthy social life, it is important that men and women find satisfaction in the community in which they live. The school, the Church, the community centre, can be vital and important agencies in building this healthy society. Rehousing, redevelopment and community planning are important, but all these projects must give a high priority to developing neighbourhoods that have the potential of coming alive."

And then in the last sentence in the paragraph on the top of page 15 he says:

"God's children need love and a sense of belonging and worth. Man must love God and his neighbours also, but no real sense of worth and purpose in living can be realized, apart from neighbours and neighbourhoods."

Now, while we don't mention this in our section, on housing, it is quite apparent in Regent's Park in Toronto, for example, that community life is being developed. Community values are created. Juvenile delinquency is on the decline. There is happiness and health and essential worth. It is not enough to have housing projects to consist of two or three apartments here with two or three apartments over there strung all over the place a mile away. There

must be developed a whole community. There is considerably less in the downtown deteriorating district and in the inner city sections of our large metropolitan area.

We put a section in on educational needs, not because we thought we could present that sort of situation to a Commission on which there are two university presidents and a Commission which will hear something far more adequate than this in the near future, but because we wanted to say that we are aware of this requirement in our society, because on page 17 we wish to express to this Commission that as a religious body we stand for more generous support of the educational programme of this country.

We come now from the community and education at large to family life and in this section we have stated briefly that family life in today's industrial society should be re-examined, its situation should be re-assessed and there should be a much deeper and more constructive concern about family life.

It is significant to note that the main theme of the international conference of Social Workers which will be held in Germany next August is this very theme of the family need in modern industrial society. And so we go on at page 18 to say something about women in industry. You will have the statistics that there are some one and a quarter million women gainfully employed in Canada today, one-third of which -- some 400,000 are married and a considerable number of these married women are mothers. Many of these mothers have

small children and many have children in the early teen-age period.

Now, this movement of women into industry and of mothers into industry is something that is being studied by the Federal Department of Labour. As I understand it, this study is about halfway towards completion and in some months from now the results of it will be available and therefore will come before this Commission. We refer to this study at the top of page 19.

Then, we go on to point out some of the developments or some of the factors in this situation regarding women in industry and on page 20 there are some comments that I think should be noted in a particular way. This trend to the two-income family is a relatively new one and leads to the observation that this is not the first time in the period of the industrial revolution that mothers and children have been separated during the working hours of a day. In the earlier part of the industrial revolution, it was the children who were taken from the home to work in mines, shops and factories. Many of these children were quite young and not a few were in poor health, but it seemed that industry required this kind of labour. When questions were raised about this movement, there were many who said that as a result of it, many children learned to work, benefited from the discipline of industry and helped to augment the family budget. The net result, however, was that young children were taken from their mothers and family life was hurt.

Some years ago this child labour movement was stopped by a more enlightened society that decided that younger children should not be separated from the mother love which they needed for their development. Lord Shaftsbury and others led in a general movement that resulted in labour laws that prevented children being taken into shops, mines and factories.

I am old enough to remember studying at Columbia in New York in the early part of the First War and then returning from that conflict to complete my studies and at that time child labour law was quite an important subject. I can recall how they passed laws in New York City to prevent children working in canning factories when they could not work in the factory but they built a shed near the factory and the children would work in the shed. I can remember those things in New York City. All that has been stopped very largely but see what is happening now.

"Today, these child labour laws remain.

Children of tender years must continue in school. Only under exceptional circumstances, may older children be gainfully employed.

While the child labour movement has been stopped and thus children have been prevented from being taken from their mothers, the increasing demands of modern industry require that many mothers leave their children for gainful employment. The result from a social and moral point of view is just the same as in the earlier stage of the industrial revolution.

"The plain fact is that whereas earlier the child was taken from the mother, today the process is reversed and the mother is taken from the child."

And as a religious denomination in Canada we want to express our deepest concern about this situation.

On page 21 we suggest that one way to assist it might be by the increasing of the Family Allowance. This Allowance now aggregates annually some \$350 but we think that its need is so great that the rate of this allowance might be increased. This is the 1944 rate, and the cost of living has gone up considerably since then and we think that rate may not stand up and we think also that this Commission will doubtless in its study come to this subject and we believe it is a very important subject.

Closely related to family life is the subject of housing. We point out that the record is exceptionally good in regard to the number of dwelling units. We note that the number of units provided entirely from public funds has decreased. We note that there has been a big increase in the number of dwellings in rural areas but that strictly speaking these rural areas are suburban sections of metropolitan districts and not strictly rural.

We refer at the bottom of page 23 to the sacrifice of young people who give everything they have to try and get homes for themselves. We have not mentioned it here but we would pay tribute to the Roman

Catholic Church for what they are doing in co-operative housing. We are very pleased that in many places there are public spirited individuals and corporations that have helped with this situation. On the whole very little has been accomplished for the low-income family.

In the middle of page 24 we note that under the National Housing Act the average income of those who received assistance in 1954 was \$5,382 and in the first half of 1955 was \$5,447. We noted that in 1954 there were only 135 borrowers with a gross family income of less than \$2,700. We take our figures, of course, each quarter, from the reports which will be well-known to this Commission -- the reports that are issued by the Central Mortgage and Housing Corporation.

Now, we would stress strongly the need for adequate housing for the low income group. At the bottom of page 24 we note the work that has been done in Britain referring to three Commissions in the housing field -- the Barlow, the Scott and the Uthwatt Committees. We have noted that they are going forward in the Old Land with the building of brand new towns and thus getting away from some of the problems of downtown slum clearance.

In the second section of page 25 we point out that in addition to what is paid for materials and labour and a reasonable price for land, there are other costs to be met and we think that these other costs for legal fees and insurance premiums ---

MR. STEWART: This is on page 25, is it?

DR. MUTCHMOR: Yes, I have jumped along a

little too fast going from 24, and perhaps I should go back to 24 and then come up to 25. At the top of 24 we point out our concern about the wholesale price index for lumber. I have referred to the Minister of Justice about this matter of supply, that is, the larger demand in the past two years. The index price for sawn lumber has been running around 468 to 467 and the average wholesale index has been in the neighbourhood of 215. The index price for sawn lumber is double the wholesale index for all prices in Canada. Three-quarters of this sawn lumber, as Mr. Grauer will know, comes from British Columbia. It is provided very largely by two or three quite large companies or corporations. I heard last week that the question of forests has risen in British Columbia and they had an 11 hour session in the House over the operation of the corporations. I don't know whether there is anything there or not but the plain fact is that the price of lumber is exceptionally high.

Now, lumber enters quite largely into the cost of construction of these little places sometimes called "strwberry boxes". We have two married daughters and we have helped to finance them in getting themselves a little place. I don't know whether this is accurate or not but I am informed that in estimating the cost of a place that sells at, say, \$12,000, some \$9,000 can be charged to materials, labour and a reasonable price for the land and then there is a drop of \$3,000 out of which the lawyers get their fees, the big corporations make their money, the contractors and real estate speculators

get their profits and we think there is a serious situation there. Now, some of those who are making these gains are farmers on the edges of large cities like Toronto where land is now selling for as high as \$11,000 an acre or \$1 million for a 100 acre farm.

THE CHAIRMAN: Are you thinking of a certain gentleman in the racing business?

DR. MUTCHMOR: No, although one might both in British Columbia and in Toronto. I know something about the ---

MR. GUSHUE: Racing business?

DR. MUTCHMOR: Well, Mr. Chairman, as a plain matter of fact, my grandfather built the first race track in Ottawa and the Mutchmors always had blood horses and if I was far enough away from home I plainly confess I could put some money on a horse's nose and enjoy myself.

But going back to this situation, we are serious about it, that it is a very high index and whether everything is as it should be or not, we don't know but I would urge that this be thoroughly investigated because this is a part of our economy in which these working mothers have to have a share by going out and earning extra wages to help pay off the mortgage on these going places around the country.

Now, to move along, Mr. Chairman, this section on social security does not need further comment from me except to come down to page 27, the second half of page 27 and to point out that our communion strongly supports all kinds of social security measures.

We have noted the financing of Old Age Pensions. Just this year it has been said that in January on the 2-2-2 basis, we have managed to pay for these pensions although for the ten months period we are some \$45 million in the red.

Then, we make a comment on National Health Insurance. We have urged that this be established in our country. We have done without now for a number of years and we think that this would greatly benefit our social and economic level.

On page 28 we make four comments about social security favouring a contributory basis, secondly, noting the overall costs and expressing the opinion that we have a strong enough economy to bear these costs and that if cuts should be made, such cuts may be made in armaments rather than in social security and in the third place we stress the need for a large measure of common honesty. The Church must do its share to build up this common honesty and in the next place we refer very briefly to taxation and point out the ever-present factor that certain forms of taxation such as the sales tax and some sections of the income tax fall very heavily on the low income people with the result that the poor are almost required to take care of the poor, which is not a good condition.

Then we refer just briefly to Dominion-Provincial relations to the effect that in our own communion we have that kind of situation on the ecclesiastical level.

THE CHAIRMAN: Both questions are outside

our terms of reference.

DR. MUTCHMOR: I was just realizing how old I am getting when I saw Mr. McKay over here, the son of Bert McKay. We were in the same battery in the first War and he was on the first Commission I attended which was the Rowell-Sirois.

We then come to the moral aspect and as you would expect, we mention temperance at the bottom of page 29 and on page 30 we mention gambling. We have not the Canadian figures on gambling totals but we have got them in the United States and the amount spent on gambling is double the amount spent on either meat or education and, of course, it is far in excess of the amount spent on religious activities and so on, and we are concerned about two or three other social problems.

I come now to page 32 to comment on some difficult subjects. First we note the right to strike. Here we don't want to be misunderstood but we do wish to express concern, and the concern is this, that in this more and more complex kind of society in which we live a long and protracted strike does cause considerable hardship. We think that the whole is always greater than the part and therefore we think that in terms of community welfare the time comes in a strike when community values must have precedence over the interests of either industry or organized labour. We think that kind of thing has been demonstrated to us in Canada in the three automotive strikes -- one recently finished after 145 days. Almost all of the automotive industry is in Ontario in the form of subsidiaries of large

American companies. We have noted, for example, that the annual business of General Motors last year was \$13 billion. Taking in Ford and Chrysler it makes a total of some \$21 billion which is very close to the total of the Gross National Product of Canada. These are extremely large corporations. On the other hand, the United Auto Workers is an exceptionally strong union, heavily financed and it has appeared too that there may have been some basis of truth in the impression that Canada has been selected for industrial conflict particularly in a presidential year when it would not be very appropriate politically to have a major strike in the automobile industry in the United States.

THE CHAIRMAN: Is that a serious suggestion?

DR. MUTCHMOR: It is a serious suggestion.

THE CHAIRMAN: We have not had it made before us before.

DR. MUTCHMOR: It is a serious suggestion. It could be argued that the strikers are not hurt so much because they get their strike pay but we have made a study of it and we have found that the bread man's weekly sales dropped from \$800 to \$300, the milkman's sales dropped from \$800 to \$300, and we have found that in every place in Western Ontario plants are closed down entirely because they can't get parts and obviously the feeder plants are shut down. The employees of all these plants get no strike pay. They are just out of luck and the thing goes on for 145 days. Now, we know the automobile industry is not under the Federal Investigation Act. We realize it is not like the railways where

Mr. St. Laurent in fact said to the railways: "You have got to get a settlement or we will force arbitration". But we think a large scale strike like the General Motors one is coming up to the edge of that kind of group where the State must say: "Well, don't go too far", so at least the State should examine the situation. It is becoming a serious one.

Now, we don't wish to give any impression of being competent in regard to floor prices. I heard part of the Canadian Federation brief this morning and I have read a good bit of this position and some of my colleagues in the west, especially Dr. Kane in Saskatoon are very close to this kind of subject, but we do say that the cost of daily bread to low income families is always the concern of the Church and when you go into a chain store and see an Old Age Pensioner pick out a loaf of bread and a little bit of cheese and some margarine and that is his food for the day or perhaps the week, you ask yourself some questions as to the high prices in their relationship to the low income family and so I personally have had some criticism coming my way when I speak about hogs, and that the good Lord never intended hogs to sell for \$32.00 and so on. We have felt that this part of our economy, while we are in favour of organized agriculture and support the Wheat Board and are generally part of the Federation and so on, yet we think the just price and the fair deal are also factors to be considered.

In the section on monopolies, we support

the Federal Minister of Justice, the work of the Combines Investigation Branch and the kind of reviews of this part of our economy that have taken place in recent years.

We have some words to say on page 35 about extractive industries and we think that these are being developed very rapidly and on the whole efficiently but we do raise the question as to the possibility of waste and even of greed, corruption and exploitation. We point out what is quite obvious that oil wells and mines become holes in the ground and large forests become just an area of stumps and flourishing towns become ghost towns in our depressed mine areas.

In the middle of page 36 we talk strongly in opposition to the operation of pulp and paper mills on Sunday. At the annual meeting of my Board last month we paid tribute to Premier Maurice Duplessis on his statement that on the Lord's Day the people of Quebec should have the opportunity to accomplish their religious duties. That was his phrase and I think that should be respected in this part of our economy.

Our last section is on world food needs and was prepared by our Saskatoon sub-committee.

MR. GUSHUE: There is a slight misprint on page 36 where it says the Food and Agricultural Organization of the United States. It should be United Nations.

DR. MUTCHMOR: Thank you, sir.

Well, this section, Mr. Chairman, including

the emergency aid and technical assistance and so forth is stating in a brief way, positions which have been taken by our governors and supported by various groups in Canada and on the last page we say that we think trade should flow to all the countries of the world, including those behind the Iron and Bamboo Curtains. We are pleased a trade agreement has been signed with the U.S.S.R. and we express the hope that that kind of an agreement will be made with China with its 600 million people. We took that position in our General Council in September, 1952, and we have not moved away from it.

That is the brief.

THE CHAIRMAN: Thank you very much,
Dr. Mutchmor.

MR. GRAUER: On page 28, Dr. Mutchmor,
your brief states:

"The contributory basis as established
in the United Kingdom is essential."

That is with relation to a social security programme.
Is that intended to cover the pensions system too?

DR. MUTCHMOR: You mean such as the
2-2-2 plan?

MR. GRAUER: I don't quite know what
you mean by the 2-2-2- plan. Maybe we had better
start there.

DR. MUTCHMOR: Well, as I understand
it, the Canadian universal Old Age Pension is provided
by a 2 percent tax on incomes, 2 percent on corporations
and 2 percent on the sales tax. It is called the 2-2-2

plan and it provides enough income to almost pay the pensions.

MR. GRAUER: It is provided out of taxation?

DR. MUTCHMOR: Yes.

MR. GRAUER: That is why I wondered if you were including pensions under the conclusion No. 1 that a contributory basis should be used for social security.

DR. MUTCHMOR: Yes, we favour the contributory basis and specific taxes for the welfare needs and so on of the plan.

MR. GRAUER: In most countries old age pensions are on a contributory basis. In Canada the scheme is different and it is financed out of taxation and it does not start until 70 as compared with the usual 65 and it is based on a general sum all over so that it was not intended to cover the person's living needs. I just wondered, by saying that the contributory basis should be used you had in mind either other taxations or supplementary taxation schemes or anything of that nature to the present one?

DR. MUTCHMOR: No, we just had in mind the present one and as we understand it the 2-2-2 plan is the contributory type of plan, that is, the young person now pays 2 percent out of his or her salary each month.

MR. GRAUER: I don't think so. Is that not on the form when you fill it in? I think it is on the form. It makes them conscious of the fact that

they are paying for it.

DR. MUTCHMOR: Yes, there is 2 percent in the personal income tax form. It, of course, is not contributory in the sense ---- not the same as it would be in a corporation where the employee has to contribute and the corporation contributes but I think that a good many people think that they are paying their old age pension with that 2 percent and when they pay sales tax they pay an extra 2 percent and that they are helping to pay for their old age pension.

MR. GRAUER: Well, the taxpayer is paying for it in taxation, no doubt about that, but at any rate there was not any implication that the old age pension plan should be on any different basis than it is?

DR. MUTCHMOR: No.

MR. GRAUER: When you talk about housing you mention the low income groups particularly with large families. You didn't mention pensioners as a special group. Did you intend to include them?

DR. MUTCHMOR: Yes, we should include the pensioners, and, of course, we would favour the plan of having some 10 percent or 15 percent of the occupancy available for old age pensioners as is done in some of the states in the United States.

MR. GRAUER: You would set aside a certain amount of housing for them?

DR. MUTCHMOR: I think in some of our Canadian cities under these newer plans they are providing for old age pensioners. They may have one or two room apartments that can be got by the old age pensioners for

a relatively low rent.

MR. GRAUER: Yes, that is true in Vancouver now. There is special accommodation. In your observation on the so-called sifting down process you draw attention to the fact that of the very large number of houses which have been built during the last year most of them are for an income group above the lower incomes. From your observation is this so-called sifting getting to be large? That is, as the people of, say, \$4,000 or \$5,000 income class move into houses that are built for them, other accommodation becomes available for lower income groups?

DR. MUTCHMOR: Well, we think that to some extent that takes place and relieves the pressure or provides for the needs, but only to a limited degree.

There are places in Toronto, for example, with 45 and 50 persons living in an old house under most deplorable conditions. As you know, in Ontario they studied it and made a good deal of headway in regard to it but as yet their big housing project in this downtown section has not begun. We think that kind of thing should be pushed ahead with more speed.

MR. GRAUER: Do you find that the old age pensioners are much of a problem from the point of view of housing?

DR. MUTCHMOR: We understand the average pensioner pays around \$26 to \$27 a month for his accommodation and has about \$13 left out of his pension. Some of the newspapers have gone into this rather strongly including the Toronto Star and these are the figures

from their study. There is not much left for food after the rent is paid so that the old age pensioners in my opinion are having a hard time.

We do a fair amount in this field ourselves with homes for senior citizens so we have first hand opinions on it. You would perhaps know our Falconer place in Burnaby.

MR. GRAUER: On page 20 you refer to the problem of women and mothers in particular, working in industry. I wonder in the first place about the implication that you seem to convey there that they are working in industry because of the demands of industry; in other words, this all started during the war. There was an overall shortage of labour and apparently a lot of the women liked it and liked the idea of the two incomes. It is a new idea to me that industry was demanding that they work. The reverse seems to be true that they wish to work.

DR. MUTCHMOR: We think it is a bit of both. There is a very heavy demand from industry and there also is the wish on the part of those who are gainfully employed to have this extra income. We think there are both factors but the net result is that the mother is taken away from the child.

THE CHAIRMAN: Some of the mothers and some of the children seem to think it is a good idea but I suppose it is not.

DR. MUTCHMOR: Well, my colleague in Toronto, Mr. Berry, lives in a district where there are 200 houses and he has had a good look at it and probably

not more than 15 percent of those mothers are at home. That means the children come at half-past three from school, some come home even at one o'clock because some of these school hours are staggered, and no mother in the home. Sometimes in Mr. Berry's home there are as many as nine and ten little children waiting for their mothers to come home. Then there are the Easter holidays, Christmas holidays, summer holidays. These children have no parental supervision; they are on their own and we say that is a bad thing. We say that is the same kind of situation that obtained in the early part of the industrial revolution when children were taken away from the mothers. Now we take the mothers away from the children.

MR. GRAUER: In British Columbia at any rate where unions are strong and where there is an equal pay Act you still find a considerable number of women wanting to work. I take it in the east, perhaps in Ontario and Quebec you don't have that situation and I can understand the urge coming from industry if the rates for women are lower than the rates for men.

DR. MUTCHMOR: I think where we say "demand" the verb is too strong.

MR. GRAUER: The solution you suggested there is raising the children's allowance. Now, the question of raising the Children's Allowance as such I don't want to get involved in the discussion. That stands on its own feet, but as a solution to this particular problem, isn't that a very expensive way of going about it?

DR. MUTCHMOR: We realize that what we have to say constructively as to the meeting of this problem is not adequate and our comment on the Family Allowance has lost value but we would point out to the Commission that in Europe in at least five countries they are very deeply concerned about this question, have made long studies of it and so on whereas in North America we have not begun to think much about it. We are just beginning.

As a Church we say here is the value of mother love, the child's need for security, all the things the psychologists tell us just the same as from the days of Adam. Now, in the situation where the mother is taken away from the child we have need for concern as we did in the early days of the industrial revolution when we took away the child from the mother.

MR. GRAUER: It is a problem certainly but I would think the raising of the Children's Allowance by 30 percent or 40 percent for everybody's children was an expensive way of getting at this problem.

DR. MUTCHMOR: Well, we would get some back through the Income Tax Department. It will be taxed back and if \$5 up to \$8 per child was the basis in 1944, with the cost of living having increased as much as now, there would be a case for adding 30 percent to the Children's Allowance.

MR. GRAUER: But that is a separate problem to this particular problem of mothers working.

DR. MUTCHMOR: It would assist. The

mothers would have a little more money in the Allowance. They would not be evened up but they would not have to work to pay off the mortgage in the way they are. They would have a little more chance with a little more money coming in.

MR. GRAUER: I take it you are in favour of increasing the Children's Allowance as such irrespective of this particular problem?

DR. MUTCHMOR: Yes.

MR. GRAUER: Do you have any scale of priorities in mind? These various things as suggested not only by the United Church but by other organizations all add up to something extremely expensive. I notice you suggest here something which I don't think we have heard before, that the defense expenditures should be reduced in order to pay for better social welfare. At least that is the reading I take out of it. That is the belief of the United Church, is it?

DR. MUTCHMOR: Yes, we would favour a reduction in expenditures for armaments to sanction the position in regard to social security and protect the life of the family and provide for the aged.

MR. GRAUER: There is one place certainly where money could be obtained providing one felt safe about the security of the country.

DR. MUTCHMOR: We know this has probably come before this Commission and I am now just speaking personally but in the 3rd of January issue of The Nation there are articles worth reading as to the high cost of armaments and very large profits being made in these

armaments. The old story we heard before the Second War is beginning to come into focus again. We can get the same volume of armaments supplied with a little less profit to some of the big corporations and still not spend so much money. However, it is a big question in itself.

We feel, however, that the welfare needs of a nation, the human needs, must take priority.

MR. GRAUER: Would that lead to the further deduction that you would think that co-existence is possible or will work out?

DR. MUTCHMOR: Yes, that is the position that was taken in the World Council of Churches in Amsterdam.

MR. GRAUER: That it will work out?

DR. MUTCHMOR: Well, I have two reports here. They cut out the word "co-existence" in the report and call it "living together" but it is the same idea. I happened to be on that committee.

MR. STEWART: I realize you included a section on education for the general purpose of indicating the church's concern over it, but I wonder if you would care to give us a comment on the future participation of the churches in cultural education. Their contribution in the past has been great and latterly at least is declining. What is the future?

DR. MUTCHMOR: Well, Dr. Stewart, I don't know thatfield and I am afraid I can't comment in any helpful way.

MR. STEWART: I think you said that the

statement on pages 38 and following was a statement approved by the Church?

DR. MUTCHMOR: That is the world food needs?

MR. STEWART: Yes.

DR. MUTCHMOR: Yes, that was before our Board in February and before the Special Executive and it was prepared in Saskatoon.

MR. STEWART: In fact, what it recommends is pretty liberal trading, at least in technical assistance and special emergency aids?

DR. MUTCHMOR: Yes, out of hand gifts, for example.

MR. STEWART: The Church feels that that would meet our responsibilities?

DR. MUTCHMOR: The Church feels that whereas in the United States they have the one great hour of sharing and they have the large inter-church body, Church World Service and Mr. Benson can give so much wheat to Church World Service and Church World Service can distribute it overseas, we don't think that could be in Canada. We don't have a Church Service. We don't have Mr. Gardiner coming and saying "Here is so much food you can distribute in India". We state in the brief we think that development should take place in Canada.

MR. STEWART: Another problem that I think concerns the conscience of people quite a lot is this question of immigration and specifically with reference to the colour situation. Can you be more

specific on this point. There were three on page 11. You say that the problem should be faced but I am not quite sure what it looks like.

DR. MUTCHMOR: Well, again that is under our Home Mission Board, as you will know, and I have not the close-up knowledge of it that they would be able to provide but I am told that some of our ministers have cases of West Indians who get in on a temporary permit and they stay a year or a year and a half but they don't become residents of Canada. They are not in the higher categories and as they get down into these lower categories then the civil service here in Ottawa can say: "You will have to get out of here". Of course, this has been argued in the House and other places and it will be more in the future, particularly if we have this British West Indies Federation given almost the status of a dominion in the Commonwealth, and we think that while we are critical of the United States and the Autharine Lucy situation in Alabama and so on, we have to a small degree the same kind of a situation in Canada. Coloured people can't eat in restaurants in Halifax or St. John. It is not just at Dresden; you find it in other places too. What are we to say to the Communist world if we are going to continue our racial superiority pattern? That is the attitude of our Church, that we have to face up to this colour question. We have said we would not want to see an immigration policy that would give us a problem, say, in Montreal or Toronto of equal proportions to the Porto Rican in

New York but on the other hand we think we should be more liberal.

MR. STEWART: Not wide open but more generous?

DR. MUTCHMOR: More generous.

MR. STEWART: Just one more question. In one or two places you refer to the Regent Park scheme in Toronto. We had the opportunity of seeing it and were much impressed but you also had a discussion on the downtown section. What are the particular features of the Regent Park Development which you think have helped to give this neighbourhood feeling. We have a great many sections that obviously don't give that and Regent Park seems to. What are the particular features of it?

DR. MUTCHMOR: Well, Mr. Grauer from your own Commission would know this better than I would but we had on our Board the late Mrs. Laughton who was one of the three Toronto authorities and through her we got a good insight into Regent Park. The rents are paid on the basis of ability and the space assigned on the basis of need. That is a new testament that you don't find too often exemplified in our present system, but that is what happened in Regent Park. If a man is a sole breadwinner and he has a wife and two children and he earns \$200 a month, he pays \$40.

THE CHAIRMAN: I thought that as how it had worked out in practice but by and large the rents were such that the low income people were not able to

get into Regent Park. That is what the Mayor told us.

DR. MUTCHMOR: Well, I don't want to speak about what the Mayor might say, but this is what Mrs. Laughton has told us many times and after all she was on the Authority there from the beginning and helped to create Regent Park, and if a man is making \$200, he pays one-fifth for rent, which is \$40, whereas across the hall there may be a son and daughter working and the total income might go to \$400 and for the same space they might pay a rent of \$80. In recent years they have not been able to drive too hard on that percentage from the growing boy and girl or they may leave home, but they do pay a proportion of their pay back in rent.

The second point, as you will have observed, is the large community, several hundreds of families, there is a new church for the Roman Catholics, a new church for the United Church, a new community healthy and happy and forward looking community.

Now, that is what Mr. Morrow meant in regard to community feeling. You have to have more than an apartment here and an apartment some place else; you have to have a new community or else follow the British plan and go right outside in the open field and build a brand new town.

MR. STEWART: It is a question of size, space and area, of open space?

DR. MUTCHMOR: Yes, I think there are some planners who believe it would be more economical to go right out into the open country and start afresh.

MR. LOVE: Perhaps it might be said that

you have an opportunity of going through it and reviewing some of the arrangements with reference to fire, police and so forth and a study of the health, but what impressed me greatly was this matter of the different costs according to income. I was in one of the accommodations provided at about \$90 and a goodly number of people were able to enjoy what they had never known before. Something about the same accommodation was provided for a lesser income group and they were paying somewhere about \$40.

THE CHAIRMAN: As low as that?

MR. LOVE: Yes, under \$40. We had the privilege of seeing all the way through that and checking up for ourselves. I don't think we have anything of that kind in Ottawa as yet.

THE CHAIRMAN: It is a great success, I know, but I didn't know that it solved the problem for the really low income people.

DR. MUTCHMOR: They have the same plan in Montreal. It is all ready to be developed but for some reason they have not made a start.

MR. GUSHUE: You say on page 33 speaking of the right to strike:

"To many it has seemed that Ontario has been chosen as the battleground for long and costly strikes by both the leaders of industry and labour in the automotive business. If this be true, the United Church would urge that the right to strike, particularly in large scale North American developed industries, be re-examined."

Do you intend that as a qualification that if it is not true you would not ask for this, or do you think the right to strike ought to be re-examined anyway? It sounds as if it is a qualification that if it is true that Ontario has been chosen you would suggest this. Do you mean if it is not true, you would not?

DR. MUTCHMOR: No, we would suggest it anyway, because of the growing complexity of our modern economy.

MR. GUSHUE: I just wondered what you meant by the expression.

DR. MUTCHMOR: This is an impression we have of the Oshawa strike. Oshawa is 4 percent of General Motors' total undertakings and to have the strike in Oshawa for a year would not matter much to General Motors -- 4 percent of its total organization and it looks very much with their big bank account they say: "Well, we will fight it out", like a boxing match. Even in a boxing match there is a limit of 15 rounds and a referee. There is not on a strike and the General Motors one went on for 145 days with everybody sitting in 30 big rooms in the Royal York and going on day after day. It just got to be too much.

MR. GUSHUE: We had two very large representative labour unions before us last week and one point they did make rather strongly was that the right to strike must be considered sacred and inviolate. This is rather the opposite. What you do suggest is that it ought to be re-examined?

DR. MUTCHMOR: Yes, for example, in the

railway situation I was preaching not long ago in Strathroy and the man with whom I stayed had been called in by a section man to help him. This man gets \$45 a week and two children and they couldn't live on \$45 a week. We would not want to see labour so restrained that you could not try even by a strike to redress that kind of situation, but in the railway picture they go on strike and the government says: "If you go ahead with the strike we will get legislation that will stop you", and so they are trying to negotiate.

We also find it difficult to understand this percentage across the board increase. We are quite sure many of these strikes would not take place. We think the people would be in favour of organized labour if the main object were to help the lower paid groups, but it is not the lower paid groups; it is an increase across the board percentage-wise that is required. Industry says "We can't do it" and of course another factor that has not been mentioned in this discussion is the consumer. After all the price of cars goes up and up and up.

MR. GUSHUE: We will have the consumers in a moment.

DR. MUTCHMOR: We think the farmer that is working should say that he ought to have a chance to cut down his cost and not just pay higher dividends to the factory people. They are the highest paid group in Canada anyways.

MR. GUSHUE: Has your discussion led you

into any means of settling a strike as an industrial argument?

DR. MUTCHMOR: No, we only know this is a very major headache.

THE CHAIRMAN: Thank you very much, Dr. Mutchmor and gentlemen for your submission. We will now proceed to hear the views of the consumers.

--- Recess

--- After recess

THE CHAIRMAN: Well, we will come to order and we will start off by apologizing for being behind schedule. You have been very generous in not getting up and complaining. We will mark your submission Exhibit 246. We are all ready if you are.

MRS. KEMP: Shall I introduce the members?

THE CHAIRMAN: Yes, please.

MRS. KEMP: May I introduce Mrs. Carver, a member of our Economics Committee.

Gentlemen, on behalf of the Canadian Association of Consumers, I would like to express the appreciation of our members of this opportunity to present the following brief for your consideration.

THE CANADIAN ASSOCIATION OF CONSUMERS

The Canadian Association of Consumers is a national organization, created in 1947, by Canada's leading women's organizations to represent the Canadian consumer. It is voluntary, non-sectarian and non-political. At present the Association has approximately 17,000 members organized into ten provincial and some 75 local branches throughout Canada. CAC aims to inform

consumers of what they should know for their protection and for wise buying. It discusses with government officials what laws are necessary in the interest of the consumer and advises the manufacturer of the consumers' opinion with regard to his product. Sixteen national women's organizations participate in our work and through their liaison officers CAC is able to contact many thousands of Canadian women. The organizations are listed here and I won't read them.

In recent years, the supply and demand of consumer goods has greatly expanded. Moreover the appearance on the market of many new products as well as new types of old products has made efficient purchasing more difficult for consumers. In 1954 consumer buying in Canada exceeded 15½ billion dollars. About half of this sum was spent on Food, Clothing (and personal furnishings) and Household Operation, consumer purchases which are largely the responsibility of women. CAC attempts to help women in this responsibility and to enable them to make the best use of their consumer dollar.

Canadian Consumers in Post-War Years

The years since World War II have, on the whole, been most favourable for Canadian consumers. Through the increase in incomes consumers have shared in the national prosperity which has resulted from the expansion of our national economy. As a result, Canadians, and all Canadians are consumers, are today enjoying a higher standard of living than at any previous time in history. It is true that some consumers

have benefitted more than others during these prosperous years. Farm incomes, for example, have fallen in more recent years from their 1953 peak, while most other incomes have continued to rise. However, the introduction of such payments as family allowances, higher old age pensions, etcetera, have lessened the discrepancies in the sharing of the national income, and there are probably very few Canadians whose present standard of living is not higher than it was in pre-war years.

As members of this Commission are well aware, many factors, such as the discovery of oil, iron ore, and other minerals, the inflow of capital from other countries, scientific inventions, etcetera, have contributed to Canada's economic expansion in recent years. However, one of the most important factors in raising our national income to record levels has been the profitable sale of our exports, chiefly primary products and lightly manufactured goods, such as wheat, pulp and paper, non-ferrous metals, lumber, etcetera. We have been fortunate that in the post-war years there has been a strong demand by other nations for our chief export products.

During these years, Canada has taken a leading part in encouraging the restoration and expansion of multi-lateral trade. In line with this policy, tariff duties on many imported goods have been lowered. As a result, Canadian consumers at the time when they have had higher incomes than ever to spend, have been offered a wider choice of goods, both

imported and domestic, than at any other time in history, probably a wider choice in most lines of staple consumption than in any other country with the exception of the United States. To the extent that Canadian consumers have bought imported goods (and imports have risen substantially in recent years) Canadians have provided dollars for other countries to buy our exports.

Canadian Consumers in Future Years

All Canadians look forward to a continuation and extension of this high standard of living in future years. CAC believes that this high standard of living will be best protected by a continuation of free competition within our economy. We, therefore, wish to draw to the attention of this Commission three areas in which free competition appears to be threatened:

(a) International trade policy

(b) Restrictive trade practices in domestic trade

(c) Marketing Board Policy

(a) International Trade Policy

While a large proportion of our national income depends on the sale of exports and while our domestic market is comparatively limited, Canadians will only be able to maintain a high standard of living if our national policy enables exports to be disposed of profitably in foreign markets. In this regard, the Canadian Association of Consumers wishes to draw to the attention of this Commission a growing tendency in some quarters to withdraw support from

Canada's present liberal trade policy. With the rehabilitation of the industries of other manufacturing countries, some Canadian industries have been experiencing strong competition from the products of these countries. As Canadian industries have found their businesses less profitable, they have turned to the Government for assistance. Recently, the Government has had appeals for help from the wool and cotton textile industries, the primary iron and steel industry, potato growers, chemical, electrical and ship building industries, and probably many others that consumers have not heard of. All these industries have requested assistance -- some through restrictions excluding competition (e.g. ship building) but most of them through higher tariffs or other restrictions on competing imports.

Most of these demands for protection have been made without adequate consideration of the effect on consumers. Furthermore, the industries making these demands appear to have totally disregarded the overall effects on consumers, were all such requests for higher tariffs to be granted. Higher tariffs and other forms of import restrictions mean sooner or later higher prices for consumers. This is serious enough, but much more serious and much more damaging in the long run is the fact that higher tariffs mean ultimately less income for Canadians from export industries. When higher tariffs raise prices of imports, Canadian purchases are likely to fall off. Fewer Canadian dollars will therefore be available for the purchase of Canadian

goods by other countries and exports must therefore decline. At the same time a further decline in exports will be the indirect effect of increased tariffs on goods such as food and clothing which influence the cost of living, or on materials or machinery which enter into the costs of our export industries. Increases in food and clothing prices may well be reflected in demands for higher wages. If our export industries have to pay higher wages and/or higher raw material and machinery prices, this ability to compete in world markets will obviously be impaired, and again exports are likely to decline.

In general, then, the Canadian Association of Consumers submits that demands for higher tariffs habitually neglect adequate consideration of the consumer's point of view. We reject the apparent assumption in some quarters that the manufacture in Canada of almost any product is, in itself, desirable. We do not doubt the ability of Canadian industry, given protection, to produce, at a price, virtually all the manufactured goods now imported, but we certainly doubt whether this policy would provide the income wherewith to buy these goods.

It is obvious that the consumer would like to be offered the widest possible variety of goods at the lowest possible prices. In Canada, where we live so close to the well supplied show cases and counter tops of the United States, and within sight and sound of American newspaper, magazine, TV and radio advertising,

the pressure to make the results of United States mass production available to the Canadian consumer is constant and considerable. To yield to this pressure would involve the elimination of import duties altogether. It is equally obvious, however, that this concept is unrealistic and must be modified in the light of a variety of social and economic considerations, such as the cost of disrupting already existing industry, the need to achieve a sound, but not excessive, degree of diversification in our economy, and the wish to maintain high employment. The consumer's desire for variety and cheapness must therefore be balanced against the consumer's interest in these other matters of national concern.

The Canadian Association of Consumers therefore urges the Commission in its report to stress the need for highly critical scrutiny of every application for increased tariff protection, bearing in mind that the arguments put forward by industry must indeed be strong to justify an increase in the cost of goods to consumers or an action detrimental to our export industries.

(b) Restrictive Trade Practices

In post-war years there has developed in Canada another tendency which we as consumers find most disturbing, namely, many attempts by producers and manufacturers alike to deprive consumers of the benefits of free competition. On one hand some manufacturers have been pressing for the repeal of legislation forbidding the practice of resale price maintenance.

CAC has had to be constantly alert and has opposed this pressure on a number of occasions. On the other hand, some producer groups have tried to limit competition by price fixing agreements or combines. There have even been instances of manufacturers operating with the benefit of a protective tariff who have been fined by the Restrictive Trade Practices Commission for restrictive trade practices.

To date all actions taken by the Restrictive Trade Practices Commission have been against manufacturers and secondary industries. But this is not the only group adopting a policy in restraint of trade which may be to the disadvantage of consumers. There is also among some primary producers today a tendency to disregard consumers. CAC recognizes that organized co-operation provides one of the most effective means of marketing primary products. But some co-operatives in recent years have tended to follow restrictive practices. For example, on some occasions, when crops have been heavy, fruits have been destroyed rather than brought to market where their arrival would probably have given consumers the advantage of lower prices. Co-operatives are outside the jurisdiction of the Restrictive Trade Practices Commission. Therefore, when co-operatives become restrictive, it is left to consumers to demand the restoration of free competition.

In a period of prosperity, the tendency to form combines and price fixing agreements is not likely to be strong. But in periods when business

falls off or when the producers market is contracting, a latent tendency to form groups "to share the market" is likely to develop stronger pressure. The Canadian Association of Consumers feels that alert vigilance is necessary in Canada to prevent developments of this nature.

(c) Marketing Board Policy

CAC believes that producers and consumers have a mutual interest in the efficient production and marketing of primary products and should work together for this purpose. In the whole field of marketing arrangements CAC feels strongly that the needs of consumers are not being adequately considered. For example, there is a strong demand by some producers in Canada for the establishment of Marketing Boards for their products. In some provinces, some Boards have already been formed. Although in some cases, legislation establishing these Boards allows for the appointment of consumer representation, in no case has there been an appointee who adequately represents consumers. This should be rectified, and legislation establishing these Boards should provide for compulsory representation of consumers, in the choice of whom consumers should have some share. The principle that these boards should be organized solely for producers and distributors and should follow policies determined solely by their needs is surely a legacy of depression years, when producer organizations were formed to help dispose of products for which there were few, if any, markets. This attitude leads to the

developments of a purely monopolistic outlook with an assumption that the primary producer may disregard the needs of consumers. Representation of consumers would tend to promote better understanding of producer problems: exclusion tending to promote misunderstanding. Further the primary producer should be aware of changes in the pattern of consumption in Canada; for this reason Marketing Boards would surely function more efficiently with adequate representation of consumers.

Improvements Needed in Retail Distribution

In recent years, there has been a marked improvement in the marketing of goods in retail trade. This is especially so in the food trades, where goods on the whole are marketed with moderate mark-ups, clean, well packaged and usually well graded. In this and in other distributive trades, further improvements are needed. With the developments in recent years of new methods of retail distribution, especially supermarkets and self-service stores, the consumer no longer has the advantage of advice and consultation with sales assistants who know the quality and likely performance of the goods they sell. Moreover, in many fields new products are coming on to the market, and sales assistants, unfamiliar with these goods cannot advise the consumer as to their suitability or performance.

The Canadian Association of Consumers strongly urges that more attention be given to the needs of consumers in the distributive trades. In the food trades, we want uniform and simple grading, such as Grade I, II, etc. CAC feels that the present

government system of labelling and grading is confusing, and in some cases definitely misleading. For example, if a consumer wishes to buy the best product in each type of food, she looks for Grade I potatoes, Extra Fancy apples, purple brand chicken, red brand beef, Grade A honey, fancy canned fruits and vegetables, etc. In textiles, CAC wants better labelling of goods to give not only the fabric content but also information as to performance, cleaning, laundering, etc. In clothing, we want standard sizes, to avoid the waste and annoyance which the present system causes for both consumers and retailers. These specific examples of improvements needed in retail trade are given merely to point up the fact that in Canada today, insufficient attention is being given to the needs and points of view of the consumer.

Conclusion

Among the voices of other groups, manufacturers, retailers, labour, wholesalers, etc., the voice of the consumer has difficulty in being heard. Although CAC, a voluntary organization, has been able to bring many problems to the attention of the government and of industry, the efforts of a group of volunteers are quite inadequate to do the research necessary on consumer problems in today's complex economy. More effective means should be developed to provide consumers with reliable and up-to-date information on consumer goods. In this country a great deal of research on consumer goods and problems is being conducted by both industry and government but

insufficient attention is being paid to the co-ordination of consumer research and consumer education. The Canadian Association of Consumers, therefore, urges the Commission to give serious consideration to the means, governmental and otherwise, of furthering and protecting the interests of Canadians as consumers, during the years that lie ahead.

THE CHAIRMAN: Thank you very much, Mrs. Kemp. I think we would like to ask you a few questions if we may.

MRS. KEMP: I will be glad to answer them if I can, Mr. Chairman.

THE CHAIRMAN: Well, one of your points is the improvement needed in retail distribution. We have been impressed with the very high percentage of the total sales dollar that is required to pay for the costs of distribution. For instance, in the average case of the various things you buy in a department store, we are told that on the average 33 cents out of every dollar goes to provide for the cost of the services supplied by the department store. We are also told that consumers generally, as incomes go up and people are better off, do not require the same service from department stores. In some of the ways you have suggested they might even like sales clerks who have more knowledge of the merchandise they are handling and that sort of thing, and who do not go out for coffee more often than once an hour, but all those things, if they are insisted upon, if the consumer really wants them, quite obviously the

department store will supply those services but it will mean somebody has got to pay for them. It seems to me some of the suggestions you have made here could be given in the way of service at relatively small cost, particularly your reference to standard sizes, and better labelling, simple and uniform grading in the food products and that sort of thing. Has any progress been made along those lines?

MRS. KEMP: We have a very good committee sitting now. It was set up in 1949 towards the standardization of sizes of garments for children and women and we hope to perhaps include one or two of the basic men's clothing in the thing. The committee has just released specifications for a certain number of children's garments and we are hoping to have them made up and see if they fit the children they are supposed to fit.

THE CHAIRMAN: The children have a bad habit of getting bigger. Is one of the troubles of difference in sizing the question of difference in the systems of the standards in Britain and the United States, for example?

MRS. KEMP: Well, we have looked at both the systems in the United States and in Britain.

THE CHAIRMAN: Which are not the same, are they?

MRS. KEMP: No, they are not the same. The real difficulty in this country is that the various manufacturers have different standards. They don't get

together and all make the same size of body for the same type of child.

MR. GRAUER: It is rather a difficult field but in general the considerations you outline at the top of page 4 give a sort of guide to follow or were intended to, weren't they -- the cost of disrupting already existing industry, the need to achieve a sound, but not excessive degree of diversification in our economy, and the wish to maintain high employment. Some of those things could be stressed pretty emphatically. For instance the desire to maintain high employment if stressed enough takes you into a large degree of protectionism, of course, that was intended to be used with reason.

MRS. KEMP: Well, we feel when we state that tariffs should be increased very carefully and various industries receive higher tariff protection and high tariffs usually do mean higher prices in the country.

MR. GRAUER: Well, you will be interested to know we have not received so many requests for high tariffs. Usually representations were made respecting dumping and various procedures and things of that nature.

MR. GUSHUE: Just one question. I was rather interested in the fact that it is a new Association with 17,000 members. Is this purely a woman's Association?

MRS. KEMP: Yes.

MR. GUSHUE: You won't let the men in?

MRS. KEMP: We have a few men associated members but we don't take men as full members.

MR. GUSHUE: Do you want to go into the rationale behind that?

MRS. KEMP: It was set up as a women's organization arising out of the consumer division of the Wartime Prices and Trade Board and women were interested in that and when they were formed as national women's organizations they were quite glad and the Canadian Association of Consumers grew out of that.

MR. GUSHUE: I expect you hope for a much larger membership as the years go on?

MRS. KEMP: Yes, but through these other national participating women's organizations we really do contact thousands of other women.

MR. STEWART: There are two places that I wonder if perhaps you could be more helpful to the Commission. One is under Marketing Board policy where you refer to representation by consumers on such boards and point out that the consumer has never been adequately represented and go on to suggest that the consumer should have more share. Have you any suggestion as to how that could work? How do we get a consumer's representative?

MRS. KEMP: Well, you might consult the Canadian Association of Consumers.

MR. STEWART: It would be a good start, I am sure.

MRS. KEMP: That is what we are here for.

MR. STEWART: In other words, that is really your suggestion. This is a consumer's organization?

MRS. KEMP: Yes, and we would like to have consumers represented.

MR. STEWART: The other one is in the concluding paragraph where you are asking for more effective means for the consumer to be provided with more up-to-date information and that insufficient attention is being paid to the co-ordination of consumer research and consumer education. Have you any specific suggestions that you could make?

MRS. KEMP: No, we have not, not at this point. The Home Economics Association is working on that problem but there is no doubt that there is a great deal of research and information that could be available to consumers that is not, and there should be some method of making it available to them. So far we have not worked out a definite scheme.

THE CHAIRMAN: Well, thank you very much, Mrs. Kemp. We are very grateful to you.

(At 5.30 P.M. the Commission adjourned until 10.30 A.M., Tuesday, March 6, 1956)

ROYAL COMMISSION
ON
CANADA'S ECONOMIC PROSPECTS

HEARINGS

HELD AT

OTTAWA, ONTARIO

MARCH 6, 1956

VOLUME 43

OTTAWA, Ontario,
Tuesday, March 6, 1956.

APPEARANCES:

Mr. Stewart Bates, President,
Central Mortgage and Housing Corp.

Mr. A. G. Bailey, Vice-President
and Director, Bailey Selburn Oil
and Gas Ltd.

Mr. Nels Thibault, President,
Mr. Lukin Robinson, Research Director,
International Union of Mine, Mill
and Smelter Workers (Canada).

THE CHAIRMAN: Well, I think we will come to order. Mr. Bates, we are very grateful to you and your associates for preparing a submission of this kind which represents quite obviously a great deal of work and a great deal of thought.

We are looking forward to its formal submission. We will label the brief Exhibit 247 and if you are ready, we will proceed.

MR. BATES: Mr. Chairman and gentlemen, I am speaking to the brief prepared by the Central Mortgage and Housing Corporation. That body is, as you know, a Federal Crown company and it may seem a little odd that we should prepare a brief on urban growth -- a matter which is primarily under our statute a subject for the jurisdiction of the provinces and municipalities.

We are, however, concerned with housing, as you know. The Federal Government has had an interest in housing since 1935 and it is because of this interest in housing and concern with it that our attention is

devoted to urban development. Within our Act, the National Housing Act, we are given the specific duty of working with the provinces on the one side towards urban re-development and renewal, and working also with the municipalities towards that end.

I think, gentlemen, you will appreciate that we can speak to you only in the words of public servants and servant subjects; for that reason we are a little cloudy in our minds, a little misty on them. I think the objective of the people preparing this was to provide, if possible, a kind of aide memoire for the Commission against which you could interpret the documents and briefs -- the other dozens of them that have touched on this subject. In short, it was an attempt to provide what we don't have today, an objective statement on this particular subject.

I think we are aware that there is probably no group of men in the country that has heard so much of billions in the last few months as you have and purposely I think we have refrained from making much reference to this particular figure.

If the city population of Canada is likely to double in the next 25 years, it seems probable this will call for a new focus of attention on the problem of urban growth and particularly the ancillary one of urban decay because the two things are going on together. I think we are all aware that in private enterprise no good entrepreneur would run his operations without giving due attention to the obsolescence, welfare and maintenance of his plant and yet in our cities these

phases, the maintenance, the conservation, the renewal, the recreation is seldom given the kind of emphasis that the ordinary prudent entrepreneur would give to his own plant in business. This is obviously not simply a question of traffic in cities, it is not simply a question of financing of cities; this question of development and re-creation runs far beyond that and in Canada in particular we are entering a phase, it seems to us, which is one of new importance so far as this subject goes.

I think in the past 10 years it could be said that the governmental problem -- federal, provincial, municipal, was to fill a backlog of housing, to catch up with the shortages. The millionth post-war house is under construction at the moment and this has been done quickly and not always with the best of design, the best of siting. There are many errors, many omissions, many calamities in it, but the backlog has caught up and the next phase that is ahead of us is one in which a new focus on the design, the recognition that the city is the very setting of our civilization, a new focus on this is desirable and the time is appropriate. The Canadian cities have been up to now, I suppose, little islands in an ocean of agricultural development, but we are passing through that phase. They have certainly spilled over through the St. Lawrence Valley, St. Lawrence basin. This is evident. I suppose in North America, if you want to see this process, this vicious process at its full flood you have to look at southern California where

the massive growth of new population and high standards of living combine to throw the cities right across the valleys even into the desert, through the orange groves with the whole paraphernalia of urban community -- all the furniture and all the things that go with it. It has outrun municipal plans, municipal programmes; it is a physical problem in the first place, a physical problem to plan an area, planning an urban area, making the urban and rural elements cohere within a single framework. This is not difficult, it is not impossible at all. It has simply outrun the motive, as well as the legislative powers of the communities concerned with it. And in Canada at present we see a little of this in the Toronto area. In a sense Toronto runs now from Ajax on the one side to Hamilton on the other -- the same kind of effluent, so to speak, spilling over the best agricultural land, and this kind of thing which has begun in our cities will be much more rapid, much more intense during the next period, and it is for these reasons that we try in this brief to give you the kind of objective framework and try to set up towards the end a group of tentative conclusions.

With your permission, Mr. Chairman, I would like to turn to the final section here and if it is agreeable to you I would like to perhaps read this and make a comment of some kind on each paragraph as we proceed.

The first paragraph under "Conclusions":

At this stage in the development of Canada the building of cities and towns is the nation's

largest and most critical undertaking. Industrial development and urban growth are inseparable. The increase of population during the coming quarter of a century will take place almost entirely in urban areas and will make this predominantly a land of city-dwellers. Growth will take place in cities of all sizes, generally following their present rates of growth. About 7 million people will be added to our major urban centres, requiring about 900 square miles of land to be built upon. Between now and 1980 the extent of our cities will more than double.

Now, you have heard, gentlemen, during these weeks of sittings, many prognostications on the expected development of Canada's resources and industries. I am trying to suggest here that urban growth is the nation's largest job, that the cities as producing centres and as the end product represent our greatest single asset. The increase of industrial employment is reflected in the growth of cities and the increase in industrial employment cannot take place without the growth and development of cities. The expansion of trade is inseparable from the growth of the producing and seaboard cities.

It is true the opening of some mines in the north produces kind of pit head towns but for the remainder of the country we have, I think, to look ahead towards an urban growth as an expansion of the kind of pattern that we have now. It has been argued by some that the urban growth in the next 25 years will not be like the present pattern, that we have

already reached the limit in some of those cities, the limit of service. On the other hand, there are many who argue that the bigger metropolitan agglomerations are likely to grow still faster and take up most of the growth. I think there is a bit of truth in both of those and that we are likely to see something happen in between. You have witnessed a good deal of decentralization of industry in the smaller towns and at the same time the tremendous pressure on the major urban agglomerations so we are looking forward to a distribution in the form pretty much along the lines of the post-war experience with some new towns merging with the metropolitan areas, showing more characteristics of satellite development, that is, satellite towns within 10 or 20 miles of the downtown areas, the dormitory areas, or whatever you like to call it. This is something upon which there are no text books. This is the first time in the history of mankind that we have encountered a situation like this, that is, the growth of urbanization with a very high standard of living. There is nothing in European or ancient history that can compare with the age in which we live. There are no text books to look up to reflect what made this growth take place. That is why I referred to southern California and places of that sort as the only examples of this tremendous development.

So we expect growth will affect cities of all sizes. For special reasons, several cities will reflect special considerations. Witness the growth of Edmonton. That kind of thing will keep on growing.

So much for the comment on the first paragraph. I now read the second one here.

It is estimated that the number of new dwellings to be built in the next quarter of a century will be about 3.4 million. The annual rate of housebuilding will not rise greatly during the next ten years, but after 1965 there will be an acceleration of building in response to the higher rate of family formation that will then take place. In view of the present capacity of the housebuilding industry and the potentialities of the economy as a whole, there should be no great difficulties in keeping pace with the demand for new housing.

These figures, gentlemen, are based pretty largely on the statistics put together by your own population prognostications in the Commission. The 3.4 million figure, we think, is based on a fairly sanguine view of immigration over the next 25 years and it is based also on our expectation that there will be some rise in the standard of living during that time and that this will produce increased housing at both ends of the scale, that is, there will be more houses of the \$25,000 type. The kind of thing you see happening in the Toronto area will become a little more general and the increase in the standard of living will no doubt affect the social conscience of our people and we might expect welfare or humanitarian factors to reveal themselves on a somewhat larger scale and this may affect housing in the lower income groups, we think -- houses for low income, old age and the like. And so

the 3.4 million figure is based on some expectations of that type.

If our economy does grow in the expected way we will have a substantial increase in family formation to look forward to. Up to 1965 the family formation depending as it is on the children of the depression years when the rate of marriages and births was down, the family formation for the next ten years will not be substantial but by 1965 the children who are now jamming our schools will be entering the labour and marriage markets and we must look forward to a substantial increase in building at that time.

The building industry is quite capable of handling anything like this programme. It is unlikely that it will be under anything like the pressure in the next 10 years that it has been in the past 10.

Looking at the third paragraph, gentlemen, the extension of urban areas will place unprecedented demands upon the structure of local government and will require very large public investments to install the services on which urban communities depend, particularly schools, traffic routes, sewer and water plants. Groups of municipalities which together constitute an urban region will need to face their problems as regional partners. Local governments will have to be empowered and supported in raising funds on a long-term basis and on a scale commensurate with their growing responsibilities.

I think here, gentlemen, if I remind you that I have some limitations as a public servant, you

will appreciate that I wish to make no comment on municipal financing nor on its limitations. I think it is inescapable that the urban development cannot take place without the co-ordination of the metropolitan areas. We have in Canada an extreme in Toronto as you know, in an attempt to find a technique of bringing together 12 or 13 municipalities and weld them into an integrated unit for municipal purposes. In all our other cities of any size, we have masses of communities -- seven or eight in Vancouver, seven or eight in Winnipeg, 23 in Montreal area -- distinct, separate, different in aim, different in intention and clearly unless there is some physical-political unit of some kind whatever its nature corresponding to these physical units we must look forward to a continuation of the disintegration that is obvious in many localities and chaos. It is not only a traffic problem. That is only one indication of the difficulty. The spilling over into an area where there are no sewers is another example. The communities that are developing are based on a septic tank basis. We are not critical of the septic tank. We are studying it all the time in the office. If porosity of the soil is all right -- I am learning the language ---

THE CHAIRMAN: Is there a septic tank section in Ottawa?

MR. BATES: There is in Ottawa -- it is not quite so bad as one other area I could mention where one of your esteemed colleagues comes from where it is particularly bad, but clearly, gentlemen, this financial

problem of the municipalities will be a major one. They will run into something like \$5 billion on these ground services in this period. They have been using various techniques to escape the consequences of the financial problem.

You will recall when we were younger, municipalities raised funds for this purpose by a local improvement tax or by general revenues. Today, the technique that is becoming almost universal is for the municipality to turn the whole problem over to a developer who is required to put in the streets, sewers, schools and the like and when the house is sold, the cost of this gets into his mortgage and rests with the Central Mortgage and Housing Corporation over the next 25 years. This is one of the techniques that have emerged by the municipalities to get over this difficulty. I think we are aware also in our dealings with municipalities of bonds. Another basic difficulty when they come to development, is to provide something for which they have to borrow and which is going on for 40 years. In many provinces they are required to borrow only for a 10 or 15 year period and they run into what they regard as major problems of gathering finance because of this limitation on the time. However, gentlemen, I take it that the problems of the municipalities are already well known to you.

I turn to paragraph 4. Housebuilding during the next 25 years will require mortgage credit of about \$20 billions and will be based on owners' equity of about \$15 billions. The efficient operation of the

housebuilding industry will depend upon a consistent flow of mortgage money from the resources of the country's financial institutions, with necessary adjustments of credit policy to keep in balance the nation's needs for shelter and the other demands upon the economy.

We see no reason, given a continuance of the kind of economic development we have had, no reason to assume any major difficulty in the flow of investable funds into housing, and urban re-development. We are as you know, perhaps, saving more per head in Canada than almost any other nation. With the rising standard of living this is likely to continue. The government has made the necessary adjustments in the National Housing Act to allow the free flow of funds through all financial institutions including banks now to move into housing. We will see in the next few years the development of a market in mortgages, a trading market in mortgages which will permit the private individual or pension fund or other source of investable funds to buy those mortgage bonds. In short, the financial system is being geared to a piece of machinery that will permit a ready flow of investable funds to housing. We see no reason to expect any hitch in this flow. Of course, in housing were there for one year a cessation of the flow of mortgage money it would be pretty serious from the point of view of the housebuilding industry -- probably enough to disrupt it.

I turn next to paragraph 5.

The increasing productivity of the housing industry is likely to create a more competitive market. This will impel builders to improve the design of housing and to diversify their production, serving a wider range of income groups and a greater variety of needs. An increasing proportion of new housing in metropolitan areas will be in the form of large projects. The full benefits of large-scale production, in better quality and price, can be achieved only through far-sighted collaboration between housebuilders, local governments and the private and public institutions involved in housing finance.

In recent years the housebuilding industry has not been under strong competitive pressure to either advertise the nature of its product or to improve the quality or to lower the price. Actually maybe at least half the housebuilders in Canada have entered the building industry since 1950. They are as young as that in the organization and the emergence of the large builder, that is, the person building over 200 houses per year, is quite recent in the Canadian system. He is emerging over this large scale operation as in the present and it is producing an improvement in quality. The large operator has his own subdivision, groups the work, has his own architect, he can gain the economies of mass machinery in excavation and so on. He can specialize his teams working on the houses so that one group lays the foundation and another group lays the floor and so on. He can gain the economies of large scale buying throughout the whole process and

this kind of development is underway.

We must look forward, we think, to some increased competition in that industry in the next decade and this competition will go far towards improving the quality of design and improving the price situation.

The increased operations on this large scale do present the opportunity for new industrial techniques coming to the housebuilding industry. You will appreciate, gentlemen, it is in the end simply an assembly job on the site at present and economies can be found either by bringing more of the workshop to the site or having more of the parts built in the workshop and brought to the site and this industrial revolution is just in its beginning. So we look forward to considerable movement on whole subdivisions, of the individual houses, of quality, of the characteristics of the house, the materials going into it during this period.

Paragraph 6. There will continue to be a number of households whose housing needs cannot be satisfied in the economic market. These will principally be large families, low-income families and old people with modest incomes.

During the coming years, we expect increased attention to be devoted to the problems of these groups. It is perhaps inescapable that public opinion tends to look in the case of low income families on housing as one of the ways of taking care of the parties in question. It is never suggested that their

food probably should be subsidized from week to week or that their instalment credit should be subsidized. It is a house that is usually picked out as the factor requiring aid and assistance and in our legislation, The National Housing Act, there are sections there permitting the federal government to join with municipalities and provinces in the provision of this low income housing. It is perhaps surprising that so little has been done in recent years. The federal government, as you know, under the National Housing Act is ready to share 75 percent of the cost of subsidizing housing operations, the 25 percent coming from the provinces or the provinces plus the municipalities. Despite this rather liberal offer the number of such public housing developments in Canada has been few.

Paragraph 7. As a comparatively young country Canada has not yet applied much of its housing expenditures to the care and replacement of its existing housing stock. But with the passing years deterioration has increased, acceptable standards of living have been raised and the changing functions of cities have blighted older neighbourhoods. The major cities of Canada now contain about 100,000 dwellings in a serious state of disrepair, many of them concentrated in blighted areas. There is a need now to redevelop these areas.

It is our opinion that this reclamation or re-creation of the blighted areas will be a significant part of the social process in the next decade.

We think it will be just as significant as the suburban struggle that has taken place in the past and one aspect of this is, of course, the withdrawal of old housing -- particularly the withdrawal of old housing from the centres of cities. There have been no systematic slum clearance projects in Canada -- a peculiar comment to have to make of our country. There is only one single example which is Regents Park North in Toronto. Low housing projects are now proposed and beginning to move in St. John's, Newfoundland and in Montreal. There is an increased interest in all municipalities across the country in preparing plans for clearing blighted areas, planning for redesigning, re-creating the centres. This is part of the encroachment, so to speak. Most municipalities have attached to them now, planning officers, and this activity is getting under way. We are concerned here, of course, not merely with the removal of obsolescent housing or the importance of sanitation. It is not merely the creation of a business city into which business men can get quickly into the city in the morning from suburban homes and home again at night; it is not that kind of improvement we have in mind. I think successful planning men can tell you and must recognize that the city is and will be more so in the future, the environment of most of our people, younger people, older people, and that the centres of towns will perhaps have to get rid of traffic entirely. There will be places where, when we are old, we can go and sit down. At present we can only go to the railway

stations and watch the trains but there will be spots in Canadian cities that will give a character, give a setting of civilization. It is not merely a beautiful city, an efficient city and a sanitary one but a city that is worthy of the best that is known and thought in the 20th Century. Unless action is taken on this at an early date the blighted areas at the centre will continue to spread so you have to attack it in two ways. One is a mass incision in some cities, coupled with a conservation programme in surrounding areas, that is, halting the housing that is beginning to deteriorate before the cancer spreads to the neighbourhood. It takes a twin programme, mass incision plus conservation.

Paragraph 8. The next few years will be a decisive period in the planning of Canadian towns and the great urban regions based upon our metropolitan cities. With the vitality of our growing economy and population there is every prospect that our cities will be large and industrially powerful. Farsighted planning may also make them mechanically efficient in their services and traffic movement. But the successful building of great cities cannot be measured only by their size and efficiency. As they become a predominantly urban people Canadians will need to place greater value upon the quality of cities as the environment for a healthy and satisfying life, giving greater attention to civic character, the design of buildings and open spaces.

9. While residential and other urban growth

will be carried out primarily by private initiative and business enterprise, governments at all levels will continue to have an essential role in guiding the processes of growth so that the best interests of the local and national community may be served. Governments are likely to come into closer partnership with one another in urban affairs, to support and supplement private enterprise in urban growth and redevelopment. Within its statutory powers as an agency of the federal government Central Mortgage and Housing Corporation has enjoyed close relationships with provincial and municipal governments. The Corporation's efforts to improve the housing conditions of the Canadian people can be achieved only through continued and extended collaboration with the governments which have constitutional jurisdiction over the physical development of cities.

This conclusion is probably so apparent that little comment is necessary on it. Clearly, gentlemen, we are entering a historic period in the building of our cities and the amount of urban housing that will be put up in the next 25 years will exceed in quantity all that has been inherited from the past. The national economy has already displayed the productive capacity to accomplish this. There merely remains the challenge to give our cities a character and design worthy of this kind of opportunity.

THE CHAIRMAN: Thank you very much, Mr. Bates. May we ask you a few questions?

MR. BATES: Yes, indeed.

THE CHAIRMAN: We will ask Mr. Grauer if he would start off.

MR. GRAUER: This was a very fine submission, Mr. Bates, and very helpful and I enjoyed reading it. You were talking about the spilling over of the towns into urban areas and the need for more co-ordination of effort in planning along various lines. Do any opinions occur to you which would stimulate that process towards co-ordination?

MR. BATES: Well, we do have one example within our economy of one system of co-ordination that emerged in the Metropolitan area of Toronto. Here is an experiment that is being watched by municipalities in all parts of the world. It is a unique experiment not quite repeated or reflected anywhere else especially indigenous to our ways and our thinking. Whether this has grown out of the soil of Toronto or whether it has been the product of the genius and energy of a few individuals, I am not quite sure. I would think the latter has been a dominating feature in the emergence of this particular experiment the Provincial Government has tried to create that would run across this tremendous sprawl taking place from the centre.

So here we have an example and likewise perhaps in the Vancouver area the emergence of the Water Board is part of this. The discussions going on now for the Vancouver sewage area is another of these spots where perhaps the emergence of a different type of pattern will be revealed.

MR. GRAUER: You rather indicate that

it is quite an urgent problem. I was wondering if there was anything faster than the usual education and knowledge of that sort of thing that the Central Mortgage and Housing Corporation would need or any particular powers to stimulate effort along these lines?

MR. BATES: Not to initiate it, no.

I think probably two points could be mentioned. At this session, the government is making some amendments to the National Housing Act which indicate a greater willingness on the federal government's part to assist in this process of financing and development, and, secondly, in our Act, Part 5, we are given the responsibility and duty of trying to promote interest in community planning, housing, research and development and the Community Planning Association of Canada is a child of the corporation. I suppose something like four-fifths of its financing comes from the Central Mortgage and Housing Corporation. I am not suggesting that that is adequate perhaps in the face of the kind of questions heaped on us, but the Association is a thriving body in many of our communities today and we are contemplating additional assistance under it and through it.

I think one cannot help but be struck by the interest in a city like Toronto reported by the newspapers from day to day in this very problem. Leader writers in the Toronto area are talking of this question daily and writing on it. We don't have much of this in other cities but in Toronto this has gone a long way

to stimulate public opinion in that particular area perhaps more so than anything we could have done through community planning.

MR. GRAUER: It rather looks as if that is an area for some constructive thinking about how to make the process a little more rapid than it is at present. In Part II of your submission -- the pages are not numbered -- but on the second page of Part II there are various ways in which the federal government participates in action or assisting in action for housing. Do you get the impression that in any of those segments the present arrangements are lagging much behind demand or requirements? Now, I realize, of course, that the various problems that lie in the housing field cannot all be met at the one time but I was thinking of the structure. Are there any ways in which you think the structure might be improved?

MR. BATES: Well, I think, gentlemen, if you look at the history of the National Housing Act, I doubt that there is any other single piece of legislation that has been amended so frequently in the past decade as this particular Act. These amendments take place from year to year to meet the very kind of problems you are raising now, Mr. Grauer, that is, the nature of the post-war housing problem kept changing. Right at the end of the war, it was a matter of getting houses for veterans at all costs and later there was the Korean War and so on. The Act kept being added to, new sections taken in particularly those sections dealing with provincial-municipal operations, the amendment we are

having this year to try to extend that type of community operation again. So I think that any public servant who has had the experience of working under the National Housing Act during the last ten years can probably say to himself: "We have had more ready acknowledgment of the government of the changing housing needs than perhaps any other section of our whole economy". So in answer to your question I would say that the Act has kept shifting so frequently that it is up-to-date, and I think we are all confident that if a new development emerges in 1958 that requires another change in legislation it could be found and tackled without much difficulty. But we don't have the initiative. The initiative is in somebody else's hands. We can hold out the helping hand.

MR. GRAUER: I suppose part of the problem there is that in a boom period such as we have been having with all the other demands there are, one has to go through a certain period before your housebuilding industry is at that point and I gather now we have built up our housebuilding plan so that it can cope with any practical demand thrown on it?

MR. BATES: Yes.

MR. GRAUER: In Part II, pages 8, 9 and 10, on page 8 you say:

"..... the practical limits of effective demand may not be much over 3.4 million units for the period. With the population

"in projections as outlined however, and in view of prospects for incomes and building costs, the construction of 3.4 million new dwellings over the next 25 years, representing an average of 136,000 completions per year, seems reasonable."

On page 9 I gather that the question of building materials and even labour because one assumes that more efficient methods will use less labour per unit, are not problems but what causes the practical limits that you speak of under these circumstances -- is it financing?

MR. BATES: No, I think the limits that we are contemplating are primarily numbers in the first instance and the lack of likelihood that you get a major revolution in this industry that would bring the price structure down so quickly as to affect that great mass of potential home owners in the \$2,500 to \$5,000 a year class. Clearly, if a new technique could emerge that would bring the reasonably priced house within that income bracket, then the number of houses would expand substantially but we cannot envision any innovation that is likely to produce this because you are caught all the time in urban areas with a rapid rise in the cost of land. The cost of a lot in Toronto has gone from \$1,000 to \$4,000 in five year's time and this is the kind of difficulty you must envisage in every city so that the increased cost of land is likely to keep offsetting the cost of producing

innovations in building and of the industry itself. So we are not expecting at all a dent going into that income band in the \$3,000 to \$5,000 class.

MR. GRAUER: It is the purchasing ability that sets the limit?

MR. BATES: That is right. Under the last Housing Act the rate of interest was lower, the down payment was lower with 90 percent loan on the first \$8,000. You can't lower that down payment very much further. Your mortgage amortization period was brought up to 25 years which is a long period and in fact we don't see many more things that could be done to make house owning easy.

MR. GRAUER: We had evidence given to us that the rate of automobile purchasing was nearing the saturation point. I think they figured 1.2 automobiles a head or something like that was supposed to be the saturation point. Presumably if you had a field like that reaching the saturation point it would be considerable purchasing power released for other purchases of which I imagine houses would be one of the more important?

MR. BATES: Yes, I think it has been the attitude of the housebuilding industry that one of its greatest competitors in the last five years has been the automobile.

MR. GRAUER: That is everybody's attitude, I think, in selling anything. Your table on page 10 about the net family formation and housing unit completion shows that the pressure of net family formation

places it on an ascending scale during the five year periods you set out there for the next 25 years. Is it fair to say that the pressure of over-crowding and doubling up in those things in housing works in an inverse way, that is, the more housing that is supplied every year, the less that pressure becomes?

MR. BATES: Yes, that is our opinion.

MR. GRAUER: That would be rather an offsetting factor?

MR. BATES: That would be a feature in there. The doubling up of families is obviously a function of income, a direct function of income. The doubling up is heavy in the \$2,000 income class and in the \$6,000 there is practically no doubling up. So in raising the general standard of living over the period, if you like, that is a feature diminishing the over-crowding problem but so long as you have obsolescent housing at the centre of cities, if it is not cleared out, there will still be people going into it.

MR. GRAUER: Just on a purely mathematical basis, if you have five times the production in 1955, of course, you get to something like 650,000 units as against the 470,000 that are indicated here purely on the basis of population growth but I take it that there would be other things that would average out these figures such as the one I just mentioned?

MR. BATES: Yes. I think our opinion in the 1956 to 1965 period is dominated pretty largely by depression mortality -- most of us who went through it -- just looking at the youngsters of that period moving

into the marriage market.

MR. GRAUER: Your analysis of the trend of methods and techniques where you say that the large merchant builder is likely to become increasingly dominant and also you feel that the scale of house-building operations in the future because of better design and better research and materials and that sort of thing -- now, all that presumably would lead to lower cost to more efficient production on housing and lower costs. Does that mean other things being equal at least the price level being relatively considerable, that we could look forward to a decline of some sort in the price of houses?

MR. BATES: Yes, we think we can look forward probably to a decline in the cost of the building itself but this land factor, the actual cost of land is growing so rapidly in urban areas that its offsetting effect is very substantial. In almost every suburb you run into a condition in which the local requirements are such that the street there is laid out as though it were going to be part of Fifth Avenue in New York. It must be the same width, there must be sidewalks and there must be sanitary sewers and there must be concrete roads and the costs of these are in many instances excessive and we would look forward to some attempt to ease up on these furnishings during the period.

MR. GRAUER: Wouldn't it be reasonable to expect that the sharp upsurge in land values adjoining cities would level off too?

MR. BATES: It is obviously one of the most interesting of all speculative industries in an economy like ours and I think this speculation will remain for quite a long time -- the speculation around large cities.

MR. GRAUER: The trading market on mortgages that you refer to under the Act, would you just explain a bit how that operates or will operate? It is something that you look forward to -- having a considerably larger role in the future.

MR. BATES: Yes, as you know when approved lenders make loans on houses they are insured under our legislation. This mortgage paper which the lender holds can be traded and it is being traded already. The banks have sold some parcels of their mortgages, sold some to pensions funds and the like. The banks at present would probably still loan some of these people were it all completed but the loans entered into in 1955, the paper is not quite completed. There is some \$370 million outstanding. I don't suppose they have more than \$50 million of paper completed but they are trading the paper even now and we would look forward to this becoming a fairly general operation.

MR. GRAUER: Would that extend to individuals?

MR. BATES: This could be sold to individuals and under our legislation we can buy it from the banks. They can come to Central Mortgage and Housing Corporation, sell the paper to us and we can in that way assist their credit stringency, we can

hold this paper for them, allow them still to continue the processing of it and sell it back to them at some later date. This machinery is already built in. It is just that the sale of the mortgages have not been too common because they are too valuable to be given away. It has government insurance on it and it is 3 percent, some were $3\frac{1}{2}$ percent in 1954. It is just too good to sell. Some have been offered at approximately 106 or $106\frac{1}{2}$ to pension funds but the sales are taking place.

MR. GRAUER: And that is something that one would expect to expand?

MR. BATES: That is so.

MR. GRAUER: Was there any suggestion -- I was not quite sure from the language of your brief -- that we need better provision for mortgages on existing dwellings?

MR. BATES: No, I think that is a point on which we have really not made any comment. It is a matter that has had some political discussion in the last year. Various groups have suggested to government that it is a desirable thing to do this, to have the Central Mortgage and Housing Corporation enter the used house market in the same way as it does the other, the argument being that the only source of funds for an old house is the conventional lender and the maximum loan is probably 60 percent. The rate of interest is high and this reduces the liquidity to that market. People are in old houses simply because they can find a buyer who can put up a 40 percent mortgage and if we

were in there with easier terms, the second hand market would become much more fluid, people would move out of it, old people who have big houses that they no longer want, couldn't find a buyer, and this space could better be used by younger families and so on. It is an argument used by many to make the used house market more liquid.

MR. GRAUER: In your opinion anything that helps mortgages on houses would help in that process?

MR. BATES: I think this is a matter of opinion. It may well be that by making those more liquid the automobile industry would receive a further stimulus and some of the other industries, that is, many people who would be taking their resources out of a used house would not necessarily be putting them back into a house. Others might be able to get a new house at a very much smaller figure than the old one and then a trip to California or a new automobile or whatever it was, but it necessarily would not flow into the house in the current situation.

MR. GRAUER: In the section of the submission that dealt with low income families and large families is the historical process of large blocks of new houses being built as it is done now every year, releasing older houses which shift down -- is that making any effect on the requirements of those two categories?

MR. BATES: Yes. As long as the old houses are there we have to have the poor with us but there is some of this traffic. I think the opinion of our

experts is it is not nearly so expensive as is sometimes claimed.

MR. GRAUER: Well the probability would be that some special effort would be made for these groups together with the pensioners. Now, any effort which is made which would come from public sources, I suppose, would be super-imposed upon your projections here, wouldn't it? You have not taken into account things of that type?

MR. BATES: That is true, we have not assumed that there will be a tremendous change in social conscience that will lead to mass re-development and, of course, it is also true that as you redevelop an area you may not get as many housing starts as you had in your original area. You may be reducing the quantity substantially. This is a new problem in each area. The number of starts should not necessarily extend greatly in consequence of this action.

MR. GRAUER: I notice a sketch somewhere of the new housing development proposed for London in the so-called blighted areas where they had these high buildings with much more space around them than you usually see. It looked like a very well planned development. Do you anticipate any trend along that line in our Canadian cities?

MR. BATES: Yes. I am sorry, I have not with me a model which has just come in to us of the operation that is going on now in Toronto in Regent Park South where we are taking out a substantial block and replacing it with a high rise with lots of space

around it, with 14 storey buildings. They sent in a model of what it is going to be apparently, and it is a very striking change. But this new process limited in extent, is going on across the Dominion.

THE CHAIRMAN: Thank you very much, Mr. Bates. This has been, as Mr. Grauer said, most helpful and a useful submission and we have been thoroughly interested in the questions and the answers.

Thank you very much.

--- Recess

--- After Recess

THE CHAIRMAN: Will we come to order? Mr. Bailey, it is very good of you to appear before us and give us the benefit of your ideas. We will mark your submission Exhibit 248 and if you are ready, we will carry on.

MR. BAILEY: Mr. Chairman and gentlemen, I would like to read this brief which our company, Bailey Selburn Oil & Gas Limited, prepared to put before you.

Bailey Selburn Oil & Gas Limited is a Canadian independent producing and exploration company. It was organized by Canadians and it is controlled and managed by Canadians. It is the result of an amalgamation of several smaller companies all of which commenced operations since 1947. Baysel -- we call our company Baysel and I would say at this point I hope you don't think we are being too commercial in this brief. We are trying to give you a bit of background.

THE CHAIRMAN: That is all right. A lot

of other people have been reasonably commercial.

MR. BAILEY: Baysel has reached the position it holds in the petroleum industry during the present economic period and under present governmental policies and regulations. This it has done in a highly competitive industry and without prior holdings or vested wealth.

Our purpose in making this submission is to present the views of such a company; one which is engaged in almost every phase of the exploration and production business, including the operation of a contract drilling business. Our Company is singularly Canadian in its concept and its outlook, but we disagree with some of the statements made by other independent Canadian companies.

HISTORY:

In 1948, Baysel and/or the predecessor companies had three full-time employees. We now have over 300 employees all of whom live and work in Western Canada. Of these, six key personnel are American citizens who received their basic training in the United States; the balance of our staff are Canadians who received their training in Western Canada.

Since its inception, Baysel, its subsidiaries and partners have participated in the drilling of over 290 wells; of these 227 are producing oil wells, 40 are capped gas wells, 4 are suspended and 35 wells abandoned.

As of September 30, 1955, Baysel had proven oil reserves exceeding 15 million barrels and

probable reserves exceeding 8 million barrels. Gas reserves amounted to 83 billion cubic feet proven and 230 billion cubic feet probable.

Since 1948, Baysel with its subsidiaries and partners, have taken under lease, reservation or permit more than 2,500,000 acres of petroleum and natural gas rights in Western Canada.

During this period, this group has expended more than \$15 million on geophysical work, exploration, drilling and production equipment and a minimum of \$5 million remains to be spent on our current programme during the next few years.

COMPETITION:

Representations have been made that Canadian operators have not had a fair opportunity to take their proper part in the development of the petroleum industry in Canada and that Canadian operators are being run out of business by American competitors. Our experience indicates that this is not the case. We believe that aggressive Canadian companies are well able to hold their place and have had a fair opportunity to do so. Canadian companies have had the opportunity to acquire acreage and to explore and develop it. The amount of acreage they wished to acquire and explore was and is a matter of management decision. Acreage is the main essential to the growth of an oil company. To our knowledge, no Canadian companies have been refused the opportunity by any of our Western Provincial Governments to acquire land on the same terms as any other company, whether it

be Canadian or American. Those companies who suggest that they are not able to acquire acreage at the present time have probably waited too long instead of taking part in the development at an earlier stage.

We can see no reason to criticize the policies that have permitted foreign investment in the oil industry. It has permitted the discovery and development of these important natural resources. From our point of view as a Canadian company, it has enabled us to farm out on advantageous terms more than 1 million acres to major companies, who will expend amounts estimated to be in excess of \$6 million, based on present commitments, to earn interests in these holdings.

EFFECT ON CANADIAN ECONOMY:

It was our experience that when oil and gas was discovered in commercial quantities, about 1947, there were very few trained Canadian personnel. This necessitated the bringing in of American engineers, geologists, drillers, etc. Most United States companies as a matter of policy are now endeavouring to train and to give experience to Canadian personnel. Almost without exception these companies have opened permanent offices in Western Canada and have become an integral part of our communities and economy. We are informed that in Calgary alone there are more than 20,000 United States citizens, including their dependents, and many more have made homes in other parts of Western Canada. Many of these are becoming Canadian citizens and many more consider Western Canada to be their permanent home.

We feel that the Canadian economy has benefited by the interest and the competition created by outside interests. We do not believe it is in the interest of our country to take any steps that would curtail the proper development of our natural resources. On the contrary, we have viewed with alarm policies adopted by regulatory bodies which have delayed and continue to delay orderly development and marketing of petroleum products.

We believe in sound conservation and we deplore waste in any form, particularly in the case of natural resources. Policies that amount to hoarding assets that may be economically utilized are not sound, whether it be grain (which was held from markets and is now a source of concern), gold, iron or newsprint, etc. Technical advances in nuclear fields promise to create new forms of energy for future requirements. We hope policies of local interest and national pride will not continue to hold valuable resources frozen. We, in common with other producers, have many hundreds of thousands of invested dollars held idle in capped gas wells and we continue to pay rentals and other charges with no immediate return and also with the prospect of a far lower and perhaps uneconomic future return than would be the case if the most economic routes for transmission lines were used.

FINANCIAL:

Since 1948, Baysel and its predecessors have raised more than \$20 million for exploration and development of lands in Western Canada. The major

portion of this has been raised in Canada. While we received \$5 million in the month of December, 1955, which was wholly underwritten and distributed in Canada, we have also obtained financing in the United States, both publicly and privately. Our experience indicates there is no lack of confidence on the part of Canadian investors toward the development of our natural resources. However, plans and programmes should be soundly conceived and must ensure a fair run for the investment.

TAXATION:

In the matter of taxation, there are a number of provisions which are not sound from the point of view of the industry and do not appear to be in the interests of the Canadian economy as a whole.

Depletion - As in the case of mining, oil reserves are subject to depletion with production. While regulations indicate a deduction for depletion that may be made, the method that is applied may actually have little bearing on the real depletion rate in the case of an active exploration company. The depletion allowance is calculated at the rate of 33-1/3 percent after all charges. An inactive company taking production but having no expense or limited expense, employing no operating personnel and incurring no exploration or development expenses, may deduct 33-1/3 percent of its net return. The active company, on the other hand, the one creating employment, fostering technical skill, increasing the national wealth, may receive little or no relief from the depletion that it is actually suffering. We believe this concept is wrong.

We believe that it is in the national interest to treat depletion in its correct sense on a basis of gross production.

Lease Costs - Present regulations are not realistic in the writing-off or amortization of leases. Costs of leases may vary. They may represent a nominal amount. The cost of a quarter section lease may exceed \$1 million or it may be acquired for nothing (i.e. for work or other consideration as on a farmout basis). Whatever the first cost may be, it becomes valueless if it is not productive. Except in the case of certain leases purchased from the Crown, the oil company is not permitted to write off the cost of the lease. In the case of an oil company, leases represent its future inventory. If a grocer loses his inventory he is permitted to write it off. It is difficult to see why an oil company should not be permitted for the purposes of income tax to write off this very real loss in the case of a valueless lease.

Investments in Development - While we have stated that there is no lack of confidence in the case of Canadian investors, it is quite obvious that Canadian investors who are not in the oil business can not have the same incentive to participate in the search for oil as their American neighbours. This comparison has been well presented to the Royal Economic Commission.

We feel that it is in the national interest to encourage the development of our natural resources. We feel that moneys invested and lost in the course of

such development should be deductible from income.

CONCLUSION:

In conclusion we briefly summarize our views:

1. The growth of our Company illustrates the fact that a Canadian independent has a place in our economy and that it is able to grow within the highly competitive petroleum industry.

2. Outside capital from major interests has been most valuable to the country as a whole and to Canadian operators, for if those interests had not displayed their confidence in the industry in Canada it would have been most difficult to obtain Canadian capital. In addition, our petroleum resources would be years behind in development.

3. The producer should not be penalized and forced to take lower or uneconomic prices for gas in order to support longer or uneconomic routes.

4. It is our opinion that amendments should be made in taxation regulations to permit -

(a) fair deduction for depletion of reserves on a gross production basis,

(b) that lease costs, where justified, should be allowed as write-offs,

(c) that moneys expended in drilling and exploration should be deductible items for individuals and businesses in Canada where losses occur.

THE CHAIRMAN: Thank you very much, Mr. Bailey. Under your Conclusion 3, what is your point there?

MR. BAILEY: Well, I think we, in common with the rest of the industry, are concerned about primarily moving our gas. As you know, that is an extremely involved problem which is to a high degree political, but it is the general feeling amongst the companies that the economic route would be cutting south of the lakes with the bridge being built if and as and when it was being able to pay for itself. We feel that a line staying in Canada would eventually or partly or even all of it have to be financed by government help and such being the case our wellhead prices would be, we think, quite a bit lower if we could take it to the south.

THE CHAIRMAN: If you sold it to the south?

MR. BAILEY: Yes.

MR. GRAUER: When you say a line to the south, do you mean around the Great Lakes and back into Canada?

MR. BAILEY: Yes, sir, around the lakes and coming back in at Niagara or Sault Ste. Marie.

MR. STEWART: Do you think that line is open to us?

MR. BAILEY: Well, I think politics would determine that but if we could get our gas there the market is there.

MR. STEWART: This is part of the real problem, though, isn't it?

MR. BAILEY: Yes.

MR. STEWART: It is political on both

sides of the line?

MR. BAILEY: That is right.

MR. GRAUER: Would that line necessarily involve selling gas in the United States en route?

MR. BAILEY: No, it would not necessarily have to do that. It would be a big help if it could, of course, but it should stand on its own feet in the first instance without that and the other bad thing, of course, is the time factor. We have now lost at least ^{and} four years/by appearances, I think we are going to lose at least one more and with all these housing projects or industries which are putting in their oil or whatever it may be, they are not going to convert back because we are going to give them gas. There is a big industrial investment involved.

THE CHAIRMAN: I don't know about other members of the Commission but I was not planning to ask questions about taxation because we have heard a good deal about that and we have had some fairly detailed studies made for us. I don't say that we thoroughly understand it but we have a paper explaining some of it to us. Your point about depletion, I think we do understand fully. I suppose in essence to the extent that depletion is allowed in excess of the original investment that it corresponds to a lower rate of taxes in the industry in question and it might be clearer for all concerned if it was just stated that the rate of taxes in the oil or mining industry was a general 47 percent and everybody would know where they were?

MR. BAILEY: That is right.

THE CHAIRMAN: I suppose the question then arises as to whether there are other industries which might be, I won't say entitled to it, but it might be useful to grant other industries a lower or higher rate of taxes than the normal one of 47 percent and you would certainly get yourself into some problems?

MR. BAILEY: Sure would.

MR. GRAUER: On page 3 where you say that the Canadian companies have had a fair opportunity to acquire acreage it has been represented and argued that because of the tax situation the American companies are in a perfect position for acquiring acreage. Would you agree with that?

MR. BAILEY: I would say yes. The fact that they can use what they call a tax dollar, for instance, to invest, has had a profound effect on them so they come in on these ground sales where the government are fostering proven land or reservations and it is a case of who has the most dollars to come and get it and that is where they have been overpowering us in that particular respect. I think I would like to point out one thing. A great deal of work we do is with Parkers and a good deal of the money we are working with on such fields as that is American money coming in from companies who are not in their normal course of business. They can come in here and take a risk because actually they are only spending a tenth of a dollar and they are quite happy to take that risk whereas no individual Canadian as a person could come

in and do the same thing.

THE CHAIRMAN: Is there anything we could do about that?

MR. BAILEY: Well, as I see it, if the government or, say, any company -- it is not necessarily an oil company -- would have the benefit of the depletion and the write-offs that go with it ---

THE CHAIRMAN: You mean the same proposition that the Americans have?

MR. BAILEY: Yes, or something similar.

THE CHAIRMAN: If we did that in Canada is there any reason why that incentive should be restricted to people putting money into the oil business?

MR. BAILEY: No, I would certainly think not.

MR. STEWART: This sentence on page 4, Mr. Bailey:

"On the contrary, we have viewed with alarm policies adopted by regulatory bodies which have delayed and continue to delay orderly development and marketing of petroleum products."

You have said in this, you imply by this, that refers to the most economic market?

MR. BAILEY: That is right.

MR. STEWART: There is nothing further on that. On page 3:

"Those companies who suggest that they are not able to acquire acreage at the present time have probably waited too long instead of

"taking part in the development at an earlier stage."

Is there anything further you want to say about that?

MR. BAILEY: Well, I am afraid this is the same old story, that some companies or individuals have seen what has been happening and are trying to figure a way of trying to get in and I think what has happened is that in the last three or four years, like that gentleman mentioned about the case of a lot going up from \$1,000 to \$4,000, the very same thing has happened out there. There is a scarcity of acreage and the price has gone up. It is a case of supply and demand. The provincial governments have tried to see if there is anything they could do to make it easier for the smaller Canadian companies to get in. I don't know how in the world they could do that without being discriminatory in their regulations.

MR. STEWART: I notice that you have participated in the drilling of 297 wells and of these 207 are producing wells. Is that a typical average or better or worse?

MR. BAILEY: No, that is not. We just happened to have a portion of that field. We could not drill a well there. I would say the average is roughly 10 to 1. It is improving because we have more density of wells drilled and our sub-surface is much better so the incidence of dry wells per hole percentage-wise is decreasing.

MR. STEWART: Is the industry today able to get Canadian trained personnel they need -- geologists,

engineers, etcetera?

MR. BAILEY: No, not nearly enough.

There is a very definite lack of petroleum engineers, geologists and people with that technical background.

I think the University of Edmonton is doing a wonderful job but there almost, as you know ---

MR. STEWART: I didn't invite this.

THE CHAIRMAN: Oh, no.

MR. BAILEY: But that is our biggest lack today.

THE CHAIRMAN: Do the oil companies make substantial contributions to the universities in the western provinces?

MR. BAILEY: No, not enough. We do it indirectly through the government, we hope.

THE CHAIRMAN: Thank you very much, Mr. Bailey.

MR. BAILEY: Thank you very much.

--- Recess

--- After recess

THE CHAIRMAN: Well, the next submission which we will mark 249 is the brief of the International Union of Mine, Mill and Smelter Workers in Canada.

Mr. Thibault and Mr. Robinson, if you are ready, we will ask you to proceed.

MR. THIBAULT: Thank you, Mr. Chairman, and members of the Commission. I want to say first that the International Union of Mine, Mill and Smelter Workers is happy to have the opportunity of appearing before your Commission and we feel that the points raised in our

brief are applicable to the study which your Commission is making and these points result from the activity of ourselves, the trade unions and the mining industry and, of course, the necessary interest of the Union in general economic matters.

Before summarizing our brief, I would like to point out that I desire to do this in two parts, so to speak, where I myself will summarize the earlier section and Mr. Robinson, our Research representative, would do the latter section. If it is in keeping with the proceedings of the Commission I would like before doing a brief summary on the section I am going to deal with, to read the foreword, which consists of two pages introducing our organization.

THE CHAIRMAN: Certainly.

MR. THIBAUT: The start of our brief reads:

The International Union of Mine, Mill & Smelter Workers (Canada) welcomes this opportunity of submitting a brief and appearing before the Royal Commission on Canada's Economic Prospects. We are concerned with the future of the non-ferrous metals industry in Canada, and in particular with the jobs, working conditions, welfare and living standards of the workers in the industry. As one of Canada's major Unions, we are also concerned with every aspect of the country's economic development, so that our people may enjoy a better, more secure and fruitful life.

It is clear, even from the accounts which have appeared in the press, that the Commission has already been of very great value. It has provided a

forum in which many of the problems affecting Canada's economic development, past and future, have been brought out. It has stimulated investigations and discussion of these problems, and brought them to greater public attention than might otherwise have been done. The Commission's Report will be looked forward to with the utmost interest.

The International Union of Mine, Mill & Smelter Workers represents the workers in the non-ferrous metals and related industries in Canada. We have more than 33,000 members in the Canadian Section of the International Union. There are many areas of the country, especially in the North, where we are the largest or indeed the only established trade union, protecting and advancing the interests of Canadian workers. The Union was already active in Canada sixty years ago, under its former title of Western Federation of Miners. Following a historic, months-long strike in Rossland in 1901, the right to strike was, for the first time in the British Commonwealth, legally established in B.C. The fight of our union also brought about the 8-hour day which, for the first time on the North American continent, was likewise enacted in B.C. As part of its activity in the mining camps of Northern Ontario, the Western Federation of Miners played the leading part in winning the first Workmen's Compensation Act in Canada and the Mothers' Allowance Act. The successful struggles of our Union over the years for higher wages, shorter hours, paid vacations and holidays, seniority and other conditions -- all these have brought about an almost

complete change and immense improvement in the position and life of the workers in the industry. There is, of course, still much to be done, and it will be done!

The history and achievements of our Union, as an integral part of the Canadian labour movement, are our contribution and proof of our devotion to Canada's economic development in the interests above all of its people. Our economic prospects are brighter because of the strength of our union and of the Canadian labour movement. The guidepost of the union in this submission is the prosperity and well-being of our members and their families, of the industry in which they work and the communities in which they live. Thus, Canada's prosperity and well-being will be enhanced. And now to continue, Mr. Chairman, with the summary as such, first we briefly appraise the non-ferrous metal industry as a great national resource along with its relative features of employment and production. The brief notes that the industry is rapidly expanding geographically and production-wise and coincident with expansion in the industry is the creation of new communities and services.

We point to the problem of the smaller mines being dependent on the giants of the industry, as we call them, for the processing of ore and propose, in fact, custom smelters in such instances. Some alarm is expressed regarding the bulk of materials being exported for fabrication mainly to the United States and this having the effect of deterring development of home manufacturing industries. More frankly we disagree with the outlook which accepts Canadians as "hewers of

wood and drawers of water".

We remark on the diversification of metal ores, particularly uranium, nickel and copper for non-civilian use thereby demanding substitutes for civilian purposes with a possible later harmful effect on the production qualities of these metals.

Looking particularly at mining development in northern British Columbia, the Yukon and the Northwest Territories, we observe an unlimited potential and appeal to this Commission to recognize the need for special consideration for workers pioneering these areas. We propose in fact a special governmental allowance for transportation, home building and taxation, this to apply to men and women whose, as we say, spirit and courage moved them into our Northland.

A somewhat general problem in mining again relates to taxation and this is in the case of mines working out or closed for other reasons. In such instances a worker's profit deteriorates to a point of little or no value wherein any investment he made is lost. We submit that this promotes discouragement and resignation, especially when the mining companies are allowed special consideration via taxation allowance for depreciation.

Referring again to the north -- and this is a big point -- we suggest that the Canadian Broadcasting Corporation should study radio reception improvement. We believe that Canadian taxpayers who maintain the Canadian Broadcasting Corporation are not generally aware that our people in the north are mainly

dependent for their reception on United States Army Services, shortwave radio service, and radio Moscow and radio Peking. This is a peculiarity in the far north.

Our brief considers the fact that the mining industry is mostly an employer of young men because it is an industry based on heavy manual labour. Accordingly, small industries in mining areas should be encouraged to absorb the older workers and female workers. Secondary industries such as fabricating would also provide alternative employment in the winter season in the northern sections where in many instances operations close during the rigid winter months and create a problem relative to closure.

The problems met in gold operations are dealt with in our brief somewhat emphatically and we would refer you to them accordingly. Quite extensively we examine the working conditions in the mining industry and draw attention to the accident hazards, health and general aspect of the men.

It is our understanding that this Commission will examine matters of the safety, health and Workmen's Compensation and it is our opinion that these are items most relevant to the task before you. Briefly on the matter of safety I would refer to the Commission safety legislation in British Columbia passed under the Metaliferrous Mining Act. Inadvertently a copy of that Act was not appended to our brief but we will forward a copy to the Commission.

In concluding my remarks I make note of the

fact that on pages 29, 30 and 31 of the Union's brief there is set out recommendations on the general subject matter I have endeavoured to deal with in summary form. Precisely on pages 30 to 36 there is reference to the Canadian gas pipeline which again in our estimation while not too extensively dealt with, has a very implicit effect upon the outlook of the Canadian economy.

Mr. Chairman and members of the Commission at this point I would like to ask Mr. Robinson to continue the summary.

THE CHAIRMAN: Thank you very much,
Mr. Thibault.

MR. ROBINSON: Mr. Chairman, I think that most, or at least a good deal of what is in the latter sections such as II to V of our brief is material that has been presented to you in one form or another probably many times. The sections have been arranged in order of the points of the Commission's terms of reference, except that the question of population is dealt with rather briefly right at the end instead of on point 2.

Now, I don't want to summarize in particular those sections of the brief. Rather, I think it is more useful to say a few words about the main theme that runs through all of those sections and I think that the main theme is the relationship of the Canadian economy to the United States and the effects that this relationship has on Canada's economic development.

The main facts about this relationship are

well known to you, one of them as usual being that the United States provides our main export market and in particular the bulk of our exports consists of raw material or only partly manufactured products. These exports, that is to say, are based on the fact that Canada is very rich in natural resources.

I would like to pause just briefly. On page 34 there are a couple of figures that when I looked at them again they sort of made my eyes open, so I went back to check them. At the end of the paragraph at the top of the page it is stated that of the increase in exports to the United States in the first half of 1955 over a year earlier, the four forest products accounted for 69 percent and the seven minerals for 43 percent. Well, 69 and 43 percent makes more than a hundred, so what I wanted to do was to go back and check the figures. What happened as a matter of fact, was that the other exports declined. I was hoping when I checked them that I had not made an error and I was glad to find I had not.

The second point is that the United States is the main country from which we buy our imports and the bulk of our imports from the United States consists of, or a large part at least, consists of manufactured products.

Thirdly, our trade relations with the United States result in an annual deficit and when the non-trade items and the balance of payments are taken into account, the deficit becomes even larger and in fact I think in 1955 it is just about of record proportions, although the final figures have not been

published yet.

Now, the first part of this deficit has in recent years been covered by imports of United States capital and in addition to the actual import of United States capital is the fact that United States ownership of various aspects of the economy in Canada is increased by the fact that the undistributed profits or actually the profits that are made in Canada by United States owned enterprises are not taken back to the United States but are re-invested. Of course, if there was no United States capital imported and if the profits on what there is already in here were taken out, our balance of payment condition in relation to the United States would be quite serious.

The fact that the balance of payments and the fact that it is made in the way it is made means that this influences the nature of Canada's economic development and all its trade. In other words, there is definitely a relationship between the pattern of our increasing trade with the United States and the fact that United States capital plays the important part that it does in our economic life.

The United States capital imports are concentrated in industries based on natural resources -- primarily at this time mining and petroleum and they also own a very large part of various Canadian industries.

As far as the industrial aspect is concerned, that is not something that we went through in detail but we hope that the Commission and its staff will go into that and give Canada more detailed information than is

available so far.

All of this can be contrasted with the development that would have taken place supposing we had developed under our own steam and I think that the development would have been a good deal different than what it has been. In particular, manufacturing industry would probably have grown more. This aspect is related in the final section to the growth of population and the employment of our growing labour force. We take the position that if we continue along the line that we have been in the past few years it will not be possible to employ the rapidly growing population but if the line of development is changed then the outlook for employment in the growing population will be much more favourable.

On the question of gold, the main part of the brief dealing with gold is a quotation from a submission to the government two years ago. The main points about the gold industry at the present time as compared to other sections of the non-ferrous metals industry are fairly well known but most of them derive from the fact that there is a fixed price on gold which has not gone up in recent years whereas the prices of other metals have gone up. As a matter of fact, if you look at the table, Table 1, at the back of our brief of the six metals for which figures are given, gold is the only one for which the percentage increase in value of production is actually less than the percentage increase on the volume of production. On the other hand, if you will look at nickel the table

shows that the percentage increase in price has been greater than for any of the other metals. I mention this point because I read that the statement was made here indicating that the person who was speaking would like to have seen the price of nickel go up even more and took the position that it was because International Nickel was so dominant in nickel production that they had held the price of nickel down.

It is possible, perhaps, that the price might have gone up if there were some competition but the normal outlook is that when there is competition it tends to keep prices down and when there is a monopoly on production the result is to put the price up. The fact of the matter is that relative to the growing volume of production the price of nickel has increased proportionately more than any of the other six leading metals since 1947.

Now, continuing on the question of gold, because of the fixed price, one of the main ways that the gold mining industry has survived is the fact that the output per worker has increased very, very rapidly. Notwithstanding this increase, despite that, the wages and earnings of the workers in the gold mines have lagged very far behind the wages and earnings of miners in other metals and a good deal is said about the government assistance to the gold mining industry. Certainly it is necessary but the fact of the matter is that the subsidy to the industry which is given by the workers in the form of lower wages and longer hours and less favourable working conditions is far greater than what

the government has given.

In our submission to the government we ask for a three-fold increase in government assistance -- that was before there was a cut in 1955 -- and we make our point that if more gold were produced in Canada this would help our balance of payments position in relation to the United States and then we would not be as dependent as we are now on United States capital import.

A good part of the brief in Section III is devoted to an analysis of defense expenditures in recent years. Purely from the point of view of an objective study we show how large those defense expenditures have been and what has been the effect on our economic development.

Now, I think again without summarizing in particular exactly the text, a couple of points stand out. The first point is that even if Canada herself had spent nothing under this defense budget we still would be affected by the fact that the United States defense budget has grown as it has over recent years. The reason is rather clear. A good deal of development of Canada actually under the impulse of United States capital expenditures are what are constantly referred to as strategic resources and one of the bases of the Paley report is the fact that the United States need these resources to maintain its defense potential.

So that you can't look at the effect of defense expenditures purely or solely from the point of

view of how much the Canadian government has spent because in addition to that is the fact of United States expenditures, and what that has done to Canada. In point of fact, however, we have spent quite a good deal over recent years -- about \$6 $\frac{1}{2}$ billion in constant 1949 dollars according to table 3.

If we had been fortunate enough not to have spent that kind of money we would have had it for other things and it could have been used in a whole lot of different ways. One of the ways in which it could have been used would have been to supply our capital needs and we would have been able to do everything that has been done in Canada in recent years by way of capital expansion and a good deal more besides without any United States capital coming in.

Another point is that in addition to the actual amount of the defense amount substantial capital outlays have been required to make military production possible and I think it might be interesting if the Commission were able to determine precisely how much these have been. We did not attempt to do that in our brief. We just make the point by quoting government sources that there have been substantial defense capital outlays.

The third point that is made is that taking into account the rate at which national production has grown and the lower rate at which consumption has grown, nevertheless part of the capital needs which have been called for by the defense expenditures and in fact part of the defense expenditures themselves have been made by

United States capital imports; in other words, what the brief has tried to do is to relate the question of defense expenditures and the rearmament which has taken place since 1950 to the main theme of relationship of Canada's economy to the United States and it seems the conclusions rather stand out clearly that the effect of defense expenditures both in the United States and in Canada has been that we have been tied more closely to the United States than might otherwise have been the case. In fact, I think I can delete the word "might" otherwise.

Of course, in the brief we do make the point that we are not opposed, we are not taking a position against United States capital imports. What the brief does say is that whether we have United States capital imports or not, the main point is that the interests of the Canadian economic development must be decisive and we should not allow United States capital to control the nature of our economic development.

Another point that is not made in our brief but I think arises as a result of what has happened recently is this, that the recovery from the 1954 recession, shall we say, appears to be quite different from the recovery from the 1949 -- well, in Canada it was not exactly a recession although in the United States it was. At that time the recovery was definitely stimulated by the tremendous growth in defense expenditures at that time but in the 1954-55 recovery that is not so. There has not been any increase in defense expenditures in 1955 compared to 1954 and it does not look as if there

will be in 1956 compared to 1955; in other words, defense expenditures have changed from being an expansionary force to a sustaining force and therefore the point is, well, if it has not been defense expenditures which promoted the recovery what has it been? Possibly the Commission could go into that to analyze what in fact have been the reasons and factors in the recent recovery and to point out the significance of these for the future because it is something quite markedly different from the pattern that took place earlier.

That, as I say, is a point which has not been dealt with in the brief but it is something which arises and I think is of significant interest as a result of recent developments.

Finally, to say a few words in summary, our brief makes the point that the wages of the working people must go up. Their hours of work should continue to be shortened. We look forward to rising living standards of the Canadian people. We take the position that this should happen and can only happen not by Canada continuing as an extractive nation supplying primarily the United States with raw materials but must also develop its own manufacturing industry. In relation to this our international trade should not be concentrated mainly with the United States but also with overseas markets and in point of fact, overseas markets are very favourable to the problems which face us at the present time, one of them being the need for markets for agricultural products and the other being to stimulate the

manufacturing industry.

With that, Mr. Chairman, I think that is really all I had intended to say by way of summary.

THE CHAIRMAN: Thank you very much, Mr. Robinson. Dr. Gushue, would you like to start the questioning?

MR. GUSHUE: I was rather interested in some points. I will refer to the pages of your memorandum. Most of them will be for the purposes of clarity. On pages 10 and 11 and perhaps also 12 you refer to the problem of the employee who has to go to northern operations and suggest such things as a pioneer allowance as a government measure, special exemptions from income tax and so on, which you relate to the parallel there of the companies and exemptions from sales tax. Have you any clear thoughts as to the area to which you would apply these exemptions because I can see there would be a great many administrative difficulties in bringing that in for one industry or even a portion of an industry as you suggest?

MR. THIBAUT: Yes, to some extent and without the danger of excluding other possible areas that might now or eventually qualify, precisely speaking our brief simulates itself on the present knowledge we have by a personal association in these areas of the Yukon, Northwest Territory and more northerly sections of British Columbia such as where we now are just on the edge of the province in the Cassiar Asbestos operation and again in the extreme northerly area of northern Saskatchewan in the Beaverlodge uranium

area -- not so much there but yet to some extent there. Then again we see the gradual movement of development in particular around Yukon territory and its heart, to some extent, again in the Yellowknife area of the Northwest Territories, in particular the northern Saskatchewan uranium field but particularly in the Yukon operations, we feel the things we have proposed here should particularly apply. Is that an answer to your question?

MR. GUSHUE: Yes. It could possibly be even more explicit than northern Quebec, for instance?

MR. THIBAUT: Yes. I could preface my answer by saying without excluding any other areas. We spoke of the ones we have mentioned here because of our personal knowledge. Incidentally, you may have, on the other hand, or do have before this Commission a further economic brief submitted by our Local 802 from Yellowknife in the Northwest Territories on the economy of that area and the problem of the Indians. If your question was directed in that way I would apply those thoughts to the other northern areas in the other regions of Canada.

MR. GUSHUE: I was rather interested in your reference to the C.B.C. and I just want to ask one question there. Can it be taken that the reception in this area in the north that you spoke of, from the C.B.C. is inferior to United States Army Service, Radio Moscow and Radio Peking? Is that a definite fact?

MR. THIBAUT: I am much afraid it is the understanding I would want you to take from our brief but

on the other hand in our brief we suggest that booster equipment could be applied by the C.B.C. to bring us in the C.B.C. into the Yukon or Yellowknife area that would include Dawson and Uranium City. However, last year the reception was dependent on those I mentioned -- United States, short wave, Moscow Radio and Peking. We don't like that.

MR. GUSHUE: I don't propose to get into a discussion on the complicated question of gold because that is too difficult a problem.

MR. THIBAUT: We appreciate the problem of getting reception into the north but we think we should get there too.

MR. GUSHUE: On page 23 you refer to the desirability of joint safety and health committees and dealing with the questions of accident and health for the workers and you make the point there that the employers oppose setting up any such joint committees. Is that general or are there some employers who do and some who do not?

MR. THIBAUT: Precisely, some do and some don't but in respect of the major employers which we think should lead an example in the prevention of accidents in the mining industry, they are the ones who we refer to in the refusal to recognize the role that employees can play on the part of safety prevention on the job and I make reference to British Columbia legislation which was inadvertently not appended to this brief.

MR. GUSHUE: I take it you are not satisfied that the risks have declined?

MR. THIBAUT: No.

MR. GUSHUE: There is a reference on page 36, I think, one or two references in your brief. In the first place you refer to the export of cheese, eggs, bacon and ham having been cut drastically. I think that is not true possibly in the case of bacon from some of the evidence we have been having. It appears the view seems to be we provide Canadian bacon particularly in the United States.

MR. ROBINSON: Well, if the future is different from the recent past I am very glad to hear that. These are from the Dominion Bureau of Statistics figures which say that the exports of bacon did drop off drastically.

MR. GUSHUE: Are these recent figures?

MR. ROBINSON: As far as overseas is concerned 1946 and 1947.

MR. GUSHUE: The United States?

MR. ROBINSON: I am not sure about that.

MR. GUSHUE: When you say, "the revival and prosperity of Canada's agriculture depends on restoring our overseas markets for farm products and in finding new ones. It does not and cannot lie in the direction of the United States", you mean, of course, that the United States are competitors in the various agricultural products and therefore there is not much hope of our selling ours there?

MR. ROBINSON: That is the general idea, yes, and I think the Commission is fully aware of the difficulties that have been encountered on the tariff question and

others on farm exports to the United States.

MR. GUSHUE: When you refer to the fact that the bulk of Canada's exports to the United States are of our raw materials and that the hope lies in exports to overseas markets do you anticipate that these overseas markets would take finished materials rather than raw materials and would not take it any more on the same position as the United States? For instance, I can think of two things the United Kingdom takes -- pulpwood from Canada rather than finished paper and Germany takes ore from Canada rather than products of iron and so on. Isn't it possible that they would also want our raw materials rather than our finished products?

MR. ROBINSON: Well, it is possible. As far as metals are concerned it is in fact true that in the last couple of years our exports of base metals to those countries have been larger than they were previously. I think the main point in general is that judging by the pattern in the past the exports to overseas markets have consisted much more largely of manufactured products. So that by an expansion of that pattern to a larger export, it is on that that the statement is based.

MR. GUSHUE: That would be your hope there then?

MR. ROBINSON: Yes.

MR. GUSHUE: Your reference on page 42 to the largest single source of consumer purchasing power is wages. As the nation's economy and production expand, wages must constantly be raised -- I take it that is then

the pattern of the expansion of the nation's economy you mean there?

MR. ROBINSON: I think that is right, yes. The only way we are going to be able to sell what is produced in Canada is by raising wages, providing higher hourly wages and more buying power.

MR. GUSHUE: Would you raise the wage rates and try to sell the product afterwards?

MR. ROBINSON: A moot point. I think we could leave that to the collective bargaining. I am sure the employers will take their side and we will take ours.

MR. GUSHUE: I notice your reference to United States investments as well as to the vulnerable position in which Canada is with regard to her trade. You were here I take it and heard the previous witness on the effect of United States investments in Western Canada. Would you like to comment on that? He felt that by and large and on balance the United States investment had been a good thing for Canada. We have had evidence both ways actually. We have had a great deal along the lines you have submitted.

MR. ROBINSON: I was trying to listen to the previous witness but unfortunately he did not speak loud enough for me to follow him. I caught a few words which aroused my interest but he did not speak loud enough.

MR. GUSHUE: Well, that was his view and he disagrees with a great many people in his own industry.

MR. ROBINSON: I am afraid I did not catch

that last remark.

MR. GUSHUE: That was his view that on balance it was a very good thing for Canada but he admitted he differed from other people in his own industry so that we have two viewpoints.

MR. ROBINSON: Well, certainly the end has been accomplished. The question is whether the price has been greater than it should have been. We are not sure all has been accomplished but we do maintain the price has been very high and that that price should be lowered as time goes on, that we should not suffer from it as we have been doing.

MR. GUSHUE: A sort of note of caution?

MR. ROBINSON: Yes.

MR. GUSHUE: How have the relations of these American companies been with labour unions and so on, good?

MR. THIBAUT: I am not too clear on the question.

MR. GUSHUE: I was wondering about the labour and employment relations between the union and American operators. Have they been good or poor? Have they been any different from other Canadian operators?

MR. THIBAUT: You are referring to the relations stemming from the labour and employer field in the United States control of the mine industry in which we are associated or just the relations as we experience them in the Canadian operations?

MR. GUSHUE: That is right, as to whether you fare any differently with these American operators

and the ordinary Canadian operators.

MR. THIBAUT: While I don't like to go too deep into that your question, nevertheless, deserves an answer and I am afraid I would have to say that where we experience dealing with the United States operators as you have referred to them it is not as happy an experience as dealing with the Canadian section. We generally attribute that to the fact that they do not reside here. They are not sympathetic with the problems in Canada. They are not cognizant of them. That is a bigger factor than not being sympathetic. As a result, the proposals made by Canadian workers are not given full recognition, in fact sometimes get arrogant treatment. That, in brief, is our experience.

MR. GUSHUE: I wonder if we may extend that question a little more and ask a general question as to labour relations in your industry. Are they good or susceptible of improvement or just what is the general position?

MR. THIBAUT: Again, members of the Commission, I would answer the question just for immediate acceptance.

MR. GUSHUE: If it is embarrassing, I don't want you to answer it.

MR. THIBAUT: I can answer it very frankly and with substantiation because we, on many occasions, in our publications, have, we might say, boasted about the very fine relations which we have been able to establish through our organization with the mining industry in Canada, we would hope.

MR. GUSHUE: The atmosphere is generally good?

MR. THIBAUT: That is correct.

THE CHAIRMAN: Thank you, Mr. Thibault and Mr. Robinson.

MR. ROBINSON: May we thank you.

THE CHAIRMAN: We are very grateful to you.

(At 12.25 P.M. the Commission adjourned until 2.30 P.M.)

A F T E R N O O N S E S S I O N

APPEARANCES:

Dr. W. A. Mackintosh, Chairman of
Finance Committee, National Conference
of Canadian Universities,
Principal and Vice-Chancellor,
Queen's University.
Dr. A. E. Kerr, President,
Dalhousie University.
Dr. Sydney Smith, President,
University of Toronto.
Dr. MacFarland,
Carleton College.
Msgr. H.J. Somers, President,
St. Francis Xavier University.
Very Rev. Rodrigue Normandin, Rector,
University of Ottawa.

Mr. T. W. Eadie,
Chairman and President,
Bell Telephone of Canada.
Mr. J. Hobbs.

Mr. Robert Marshall, Reeve,
Trafalgar Township,
Mr. S. A. Featherstone,
Chairman of Council,
Mr. McKee,
Commissioner for Industrial Development.
Mr. Louis Mayzel, Owner of
Industrial Development Properties.
Mr. Harry Mayzel, Solicitor,
Mr. D. F. McConachie, Consultant.

THE CHAIRMAN: Well, Dr. Mackintosh,
in welcoming you to these proceedings I might just
say how grateful we are to the Union of University
Presidents and members for the contributions you have
made in the persons of Dr. Stewart and Dr. Gushue to

this Commission. We would have had a hard time proceeding without them.

We are looking forward to your presentation particularly. We have heard, as you would imagine, a good deal on the subject of higher education as we have gone across the country and we will mark your submission Exhibit 250 and if you would like to start in, we are all ready.

DR. MACKINTOSH: Well, Mr. Chairman and members of the Commission, we also are grateful for the opportunity of appearing before this Commission and we have noted that perhaps our presence is almost unnecessary with the composition of the Commission and not only presidents of universities but members of the Board of Governors, former members of staff and there is very little that we could tell the Commission perhaps about universities. We are not unconscious at all that to the staff of the Commission we have contributed willingly but not enthusiastically a considerable number of university staff.

I appear here on behalf of the Canadian Universities and schools who are organized under the National Conference of Canadian Universities. I regret that the President of the Conference, Monsignor Parent of Laval is not able to be present with us and I should perhaps explain that I appear before you in the position of Chairman of the Finance Committee of that Conference, which is the Committee which looks after all those things on which we wish representation from each university. It is a committee of the heads of all

the member institutions.

I would like to introduce to the Commission my colleagues who are with me today. Dr. Sydney Smith, of the University of Toronto is on my right, Dr. A. E. Kerr, President of Dalhousie is here, Dr. MacFarland of Carleton College, Father Somers of St. Francis Xavier University and Monsignor Normandin of the University of Ottawa. These men will be available to help me in answering any questions which you may have.

I think it is not further necessary or convenient that I should read the submission which we have put before you but I would like to emphasize a few points. We have laid some emphasis, I think, on the varied character of Canadian institutions and on the fact that though many or most of them are provincial in their scope or in their financing, they are not provincial in their outlook or in the extent of their activities but are rather one of the most important national influences in this country.

To us it appears that the most important feature of the years ahead -- and in this we may be biased, of course, by our occupation -- the most important feature of the years ahead is that the scarcest of all the economic factors is going to be that of human resources and among human resources, the scarcest element is going to be the first great quality among them. The need for trained and educated graduates of universities and other institutions of learning is going to be very great. We know you require

increased numbers at all levels but it is also important to remember there are going to be great requirements in terms of higher quality and greater degrees of training. I am sure you have had placed before you the very vocal needs of the engineering profession who have for some years now been expanding the degree of their needs but beyond this it is important to emphasize the very great need which we will have for people with higher scientific training, with the capacity to proceed on scientific investigation and work under their own initiative and under their own power.

We have in our brief laid equal emphasis on the need for social scientists, for those people who are highly trained in the humanities because few things are clearer than that the composite problems of human relations are going to multiply and intensify as this country increases in size and in its responsibility. The increasing complexity of our more urbanized, more industrialized communities, is going to demand not only engineering skill; it is going to demand a great deal of a great many other skills and one might add what I think others have mentioned in at least some level of society there is promise of increased leisure which leads to the necessity of giving some attention to those things which make people's leisure worth while.

A good deal of publicity has been given to the increase of the age groups which will in the next few years reach university and that is so well known that it is not really necessary to emphasize it.

What we would point out is that while we are disposed at times to look on this as a problem, actually it will turn out to be an answer for the need for trained people. It will turn out to be an asset but only if the universities are able to handle these numbers or the proportion of them which is competent to benefit by training.

We have presented figures with which you are sufficiently familiar to show that the university population may very well be doubled by 1965 and may be trebled by the early 1970's. The universities have, over perhaps the past three years, been trying to educate public opinion in respect of this and they are highly gratified to note in the briefs that are being put before your Commission that they have achieved a certain amount of success in having made the public, the provincial governments and business aware of this rising population curve.

In approaching this problem, the universities, I think, all recognize that there are a good many things which they themselves must do. A good many among them may be summarized by saying that the universities might raise very substantially the proportion of competent graduates to the number taken in to the universities. That proportion in recent years has been far too low and with persistent effort it could be increased.

Whenever anyone gives an opportunity to university people to present their views either on public questions or on their own affairs, those views

very quickly get down to matters of finance. The head of a university is very like a person with a large and growing family. He finds he either is or is not a good provider and having done that perhaps his main function is fulfilled. The fact is, however, that disregarding capital costs most of our universities require about \$1,100 or \$1,200 per student to carry on their operations effectively. As they grow wiser there is more economy in larger numbers, but I think the experience is that it is pretty much offset by the necessity of advancing further in university work and the simple rule is that the more advanced the work the heavier the deficit on it.

We have over a number of years laid emphasis on the importance of aid from the federal government which we think is justified by the needs of federal services and by the historic concern of the federal government ever since Confederation for economic and scientific development. We have laid stress on the importance of this aid in moderating the unevenness both of the provincial resources and even to some degree the provincial willingness in supporting higher education.

We have reviewed in our brief what was recommended by the Massey Commission and what has been in part implemented. It is not too much to say that the federal grants made following the recommendations of that Commission saved the Canadian universities from disaster in the rapid rise of income price from the late 1940's to about 1952.

We are not concerned about questions of

whether this is or is not the business of the federal government because we know of no enterprise in this country which could so properly and so readily be deemed to be works of national importance which the federal government is always naming and bringing within its scope. At present, as you are aware, the federal government divides a sum which is defined as 50 cents per head of population, first among the provinces and then among the universities. We foresee that that amount should be increased over the next few years from the level of 50 cents to a level of \$1.50. There are two considerations in that the proportion which the federal government is now bearing is comparatively low. I think in the figures in this brief it might show as about \$1.03. Our rather hasty calculation of the low figure suggests it is more like \$1.00 to \$4.00 contributed to the provinces but there is a second consideration; as the composition of our population is changing and will change over the next few years, the proportion of those of university age is rising to total population and the result is that 50 cents per head of population is going to result and is resulting in quite rapidly declining amounts per student for the universities and this is purely a matter of arithmetic.

We will, of course, require -- and some of us have already received -- rising provincial support and we hope that all the provinces will be in a position to assist the universities adequately but that is a question which is beyond the scope of our

brief although we would point out that some provinces have assisted the universities very meagrely and some only in respect of special services. We have asked in our brief that various changes in taxation might be made more conducive to provide support. While we don't think the clock could be turned back to the point where there are universities which are wholly dependent on private support, we do recall enough history to recognize that in a period of such large capital gains as this country is going through at present if some of that private wealth is not devoted to higher education it will be a historical period which has not been equalled in the history of any other country. Most of the great benefactions of universities dated either from periods of great piety or very large profits.

THE CHAIRMAN: The two things are not synonymous necessarily?

DR. MACKINTOSH: Not necessarily. We have asked that there should be an increasingly liberal research support. We have emphasized that the Massey Commission recommended a quite large scheme of scholarships, some graduate and some undergraduate. We are particularly anxious that graduate scholarships and support for scholars in the social sciences and humanities should be before long brought into effect. The scholarship situation for the natural and physical sciences has been quite tolerable and indeed fairly generous but for the other subjects there has been a great lack and this is related to the coming need for a much greater number of scholars to add to the

university staff.

Our concern with undergraduate scholarships is particularly to try and get assurance that in the selection which there must be in the future to a greater degree than in the past in respect of university students that this selection shall not be financial but shall be based on ability. We know that in the years ahead there will be great pressure to increase further the university fees and the tendency to financial selection will grow greater as time goes on unless it is offset by a systematic and generous scheme of undergraduate scholarships but we would emphasize that initially the first thing is that the universities themselves have to be in a position to receive students. The second stage is whether or not students can be financed. There is no use financing the students if the university facilities are not there.

Now, Mr. Chairman, I have referred to the main items in our brief. I should like to just by way of summary, perhaps read a few sentences from the last paragraph of that brief and when I have done that I shall be glad to answer any questions that I can and I know that my colleagues will be glad to supply information which they can offer and which I cannot.

I would like to emphasize again the critical importance to this country not merely of providing accustomed educational measures for an expanding population but of providing for a greatly increased number of university graduates of good quality and training to fill the needs of a nation

which will not only be statistically bigger but will face tasks of increasing complexity, different from those of other countries, requiring depth and originality of mind for their accomplishment. There is here a challenge not to be accepted lightly by universities and colleges, which, out of the past 26 years, have had barely five in which to expand and re-direct their efforts toward meeting the tasks of a new era; depression, war, hastily improvised planning for the ex-service influx and the disruption of the price inflation have filled the other 21. They ask that they be assisted in such measure that they can accept the challenge. They contend that unless the universities are put into a position to give the younger and more numerous generation all the stimulus and help toward skill, imagination, originality of mind and wisdom that higher education can give, the promise of the next 20 years will fail to yield more than a meagre harvest.

We should be very glad, Mr. Chairman, to assist your Commission with further information. We would be glad to assist your staff with any enquiries which they may wish to make.

Thank you.

THE CHAIRMAN: Thank you very much, Dr. Mackintosh, for a first class brief and a very excellent presentation.

Two members of this Commission have informed me that they are nervous about asking questions today. It seemed to me it would give them quite an

opportunity but they say no, and so they have suggested that I should start off. They made it very clear that while they have not given me the questions to ask that if I ask the wrong ones they will let me know about it, so I will do the best I can for a few minutes and expect to be checked up.

We have, as you have suggested, heard a great deal about the very great increase in the demands which are going to be made upon the universities in the next few years and the first question that I would like to ask is first of all, the teaching profession could be made more attractive because presumably we are not going to be able to meet those demands unless you get an increasing quantity of first-rate teachers. I would like to suggest that we discuss that at least under two headings, first of all, the level of salaries of the teaching profession -- it seems to me that with this tremendous demand that is going to be made on your profession that this is the time when in considering your salaries, your sights should not be set too low and I have had the feeling that on occasion when the question of salaries has come up that university people have been reluctant to really deal with the question of salaries and income in the way that some other groups in the community would do so if they were in the bargaining position that I suspect you are in at the moment or that your staff are. Secondly, under this heading, I would like to ask how the position of members of the teaching profession could be made more attractive in the community generally, quite

apart from income. It seems to me that people who are not connected with universities expect or would like more university people to be willing to express views on public questions. Now, I am not suggesting that many university people do not do so but I am suggesting that perhaps it would be a good thing if more university people were willing to do so. I recognize that two things are necessary. In the first place they have got to have some ideas to express and, secondly, they have got to have the leisure in which to work out such ideas and to publicize them.

At a dinner which Dr. Smith was good enough to give us in Toronto, Mr. Grauer was talking about his days on the staff at Toronto University and the way in which he was expected to work in those days and he made a remark that stuck in my mind and that was that he finally decided to leave the hurly-burly of academic life for the peace and quiet of a business career. I gather that other people think along the same lines but I would be grateful if you would care to express some views as to how the teaching profession could be made more attractive in competition which your best graduates are bound to get from here in from business and other careers that are open to them.

DR. MACKINTOSH: Well here, Mr. Chairman, I am not sure that I speak for anybody but myself but I think some of my colleagues can supplement what I have to say.

On the matter of recruits to the teaching

profession and their salaries, I think you start from this position that particularly in respect of university staff, just at the time when the wave of those looking for instruction mounts to the peak, the wave of those who have prepared themselves to do the instructing is almost at the bottom. So I think you have to accept the fact that for the next few years there is no satisfactory solution. We just have to struggle through the statistics of the situation but nevertheless we have to do the best we can. All those in universities will admit very willingly that much has to be done in respect of university salaries. It is hard to talk in general about them. Some institutions have been able to do much more than others and the result is that it is very difficult to make comparisons, particularly difficult to make valid comparisons between salaries in this country and those in the United States because you can find university salaries in the United States that are below what any self-respecting Canadian institution would pay. Also, of course, you find a range which is very much higher. Unquestionably we must list salaries and I refer in my brief to a booklet which Beardsley Ruml and Sidney Tickton had put out. This was an attempt to measure the university staff in respect of society in general and it confirms what we all know that the university professor is headed down in the scale. Speaking very frankly I think you have to take into account the fact that there are certain people who like this kind of work. You will in some cases not

improve the universities by inducing other people who do not like it to enter it for the sake of a higher salary. I won't go so far as to say that university people must have a call but there is some element of that in it.

With higher salaries there has to go the possibility of a career, the freedom which a man does not have in a business or government position -- freedom from too much teaching, so that the man can get on with his own psychological or scientific work and what is very important, a general position in the community which makes him feel that his work is worthwhile and not just that of a hireling. Now, within that the question of exact levels I find it difficult to say much on except that the present levels are below what is desirable and I think we are all working very hard to try and raise them. We are a little less concerned at present as to what the proper maximum level is than we are about how, the question of how we get it, the next step. I am sure some of my colleagues could do something on that.

DR. SMITH: Mr. Chairman, I would like to believe with my colleague Dr. Mackintosh, that we could have some reliance on this missionary zeal for teaching. It is to be found, I know, and it is refreshing but even if it were true, even to a greater extent, we would be unfair if we would draw on them in terms of salary. And if we mind, Mr. Chairman and members of the Commission, that this is one of the most serious problems ahead of us -- money can buy us the buildings and the equipment but

having regard to the mounting wave to which reference is made in the brief of the National Conference of Canadian Universities, the problem of getting staff and proper staff is now with us. It is an immediate problem, and what are you going to do?

I tried in Convocation Hall in November to speak to a course of graduates of the School of Economic Study and I tried to influence them to take up the teaching profession and there is the matter of salary. My experience has been -- and I am sure the experience of my fellows here at the National Conference of Canadian Universities -- that it is not always salary that the first question is related to -- what are the library facilities, what are the lab facilities? It is about 50-50. But in terms of salary are we to condemn the young man or a middle-aged man if he asks for salary and then he is attracted to another institution that provides equally as good facilities and much more salary having regard to the fact that he may have a family and been required in that particular concept?

We are not getting in our recruits for Canadian universities and schools the best of our graduating classes today. I mean that. We are not getting the best or the major part. The young men have been attracted to industry. They have been attracted to governmental agencies which can pay more salary. That is not money grubbing because they can find excellent and gratifying and satisfying careers in those other agencies or in those other institutions

with higher salaries. But the thing that is worrying me even more than the competition of industry in Canada and the competition from governmental agencies, is the competition from the United States and that is onerous, Mr. Chairman.

Since the first of January I have dealt with 11 invitations to members of the staff of the University of Toronto from American universities -- eleven. Our score on the whole is going up, the batting average better than .500 and it is going up, and they have a real problem. I think in terms simply of salary we are going to be outbatted by them on many occasions.

THE CHAIRMAN: Why don't we put our salaries up and get the stuff going in the opposite direction?

DR. SMITH: I would agree and I have been saying that and I would applaud it but where do we get the wherewithal? That is the plea we are putting forward to provincial governments and to the Dominion government in terms of higher subsidy and to industry but, as you know, Mr. Chairman, this time of the year universities are preparing budgets for next year -- nemo dat quod non habet -- no one can give what he has not, to invoke an old phrase. I don't blame industries for making bids for young members of the staff or middle-aged members of the staff. I think it would be foolish for the universities to fence off the staff from offers because they would soon catch on to that game but it could

happen that industry could kill the goose that lays the golden egg because there will be nobody to teach their recruits in ten or 15 years time -- nobody of high ability.

I was very interested to hear your remark, Mr. Chairman, about the attitude, the social attitude towards the university professor. He is not as highly regarded any more than the school teacher, or lawyer or doctor were regarded in many communities 40 or 30 years ago. I do feel that our members of the staff would take part in the expressions of public affairs to which you have made reference if they were not so busy. Most of them, very frankly -- and perhaps this is a reflection on the administration perhaps in part in that administrative costs would go up, the object or theme being advancement -- but staff are so busy on research in the laboratory, in writing books, that they have not time to take part in public activity and they are really too busy to do that. Maybe the university staffs in Canada -- and I am speaking by and large -- are not as vocal and they do not contribute to the solution of public affairs, whether it be in letters to the editor or otherwise as they do in the United Kingdom. I have known -- and I touch wood -- of no serious interference with academic freedom in about 30 years in active university life in Canada. I am not scared about that. I think the community would prevent any serious episode of that matter -- a man being fired because he has expressed views that seem to be questioning or skeptical views short of bluffing,

but I am scared -- and I think this is reflected in the whole community -- that in this burgeoning economy we have there is in a sense an inclination to say that we are all doing very well and why stick out our necks. I am more scared of that part of the question.

THE CHAIRMAN: Thank you, Dr. Smith.

I have got a few other questions about finance.

DR. KERR: Mr. Chairman and members of the Commission, if I might just say a word. I suppose we all aware, as President Smith has spoken to you about, of the unhappiness caused by Toronto having its staff raided from the United States. At our last meeting which was a week ago, he made the same complaint about Dalhousie raiding Toronto and taking its staff away and so as I heard him complain that the United States was in danger of taking their best men from Toronto, I felt he may one of these days turn to us in Nova Scotia with the same charge. However, he is coming down to us very shortly to speak on university matters and perhaps we can settle matters with him down there on ground that will be more favourable to ourselves.

I think we all appreciate very much your own remarks, sir, about the importance of the status of the university professor in the community and I should like to refer to Dr. Mackintosh's remark that by and large all this depends on finance. A man has to be allowed to live in dignity, modest dignity and in order to do that we have to pay a certain level of salary. Now, we are not paying a level that compares at all favourably with that which obtains in the United States

and some of us who have to do with endowed institutions are not in anything as good a position as institutions which have their finances guaranteed.

I recall that just before I left home, one of our deans came up to me -- it was in science as a matter of fact -- and said that one of our men had been down in the United States to deliver a paper and when he had delivered the paper he received five offers to remain in the United States, some of them at two and a half times as much as the amount of money he was getting in Dalhousie. So it is very, very difficult to keep men in the face of offers of that kind. He is a young man with a family and he has a duty in life to provide for them. So many of our teachers live sacrificially. They are teachers because that is the profession to which they feel called. It is not just a profession; it is a vocation with them and so they make sacrifices to remain in it and, of course, the university establishment has other attractions as well, but I think it is quite unfair to put them in the position where they have to sacrifice a reasonable measure of security for themselves and their family in the future. That is particularly in the endowed university where it is very difficult to see where the money is coming from.

I come from a small university which Mr. Gushue and President Smith will admit has given a fairly good account of itself in the course of a few years. I have been there ten years and in that time our budget has multiplied three times what it was when

I commenced. We have to depend upon public gifts. That is to say, private individuals mainly and we are appealing to a constituency which has not the resources to give us.

Dr. Mackintosh referred in his brief to the fact that profits have in the course of history been the source of support for universities but in a day when, as the Massey Commission pointed out, high taxation is taking away very large profits, the endowed universities are in a particularly vulnerable position.

The other point that you made, sir, that of the position of the professor in the community and the contribution that he can make outside the classroom I think is very important and you used the word "leisure". Traditionally the university professor's position has been described as one of "learned leisure". It certainly is not leisurely today and I think we must not only raise salaries to do justice to the men but we must increase the leisure time of teachers and students in order that the man may have reasonable leisure to do justice to students individually because as someone put it long ago, the ideal Alma Mater is one that knows her children one by one. So we should have sufficient staff to deal with students individually. That will mean a very great increase numerically for most of us at the present time but until these two conditions are corrected -- (1) the salaries of professors and the other the resources of the University that will make it possible to have larger staffs, I see no possibility of enhancing the position of the professor

as you have indicated.

THE CHAIRMAN: Thank you very much, Dr. Kerr. We do hear a certain amount in Toronto about the contribution which Dalhousie has made to this country. I won't say we hear about it every day but it seems pretty nearly every day.

I would like to ask one or two detailed questions, if I may, on finances. In your brief you dealt with what you feel the universities are going to require from federal sources and I don't think that there is anything I need to ask about that except I would like to ask a question about the grants from the National Research Council. Why is it that a portion -- and I would suggest a fairly substantial portion -- of those grants are not being allocated to pay for administration and overhead that should go with any research activities?

DR. MACKINTOSH: I can't really answer that. We have urged that on the National Research Council. I think, or my understanding is that there has been the feeling that since the federal government did undertake general grants that those general grants looked after the contribution to overhead and there did not need to be a special part of the research grant allocated to them. But this is aside from that particular instance, very near the centre of university financing. Fees increase by numbers. The federal grant increases by numbers. I don't think anyone can attempt a generalization to suggest the basis on which provincial grants exist. They vary from territory to

territory and from year to year. But there is always a tendency for them to have some relationship to numbers. The difficulty is in those areas where the numbers are few. The expense per head is very great. It is not difficult to pick up money for out-of-pocket expenses for research if you have one place and two first class people who can direct research and these really are the major parts of the expense of research. The out-of-pocket expenses are on the whole less. That can be readily acquired but we are always left grappling with keeping the university of good status in being.

THE CHAIRMAN: Well, you don't feel that that is a particularly difficult question then, that no part of these grants may be used for administration?

DR. MACKINTOSH: Well, it does limit what we can do in research because many of these research grantors seem to imply that you have a really first class man who is idle until this grant turns up. The fact is that if you have him, he is extremely busy.

DR. SMITH: It can assume very serious proportions. We have not had a sufficient number of men to make the situation very acute in Canada but in the United States it was true and it has been said to be at the University of Chicago a few years ago, your Research Department just got funds without any contribution to overhead. The National Research Council was what some of us had in mind when this reference was put in the brief here today. They take the view that, of course, it has been a general federal grant but it is time that they said: "Well, one of the great

objects of universities is the conservation of knowledge and the extension of knowledge and furthering the accomplishment of your main objectives". But every time a research student is put into a university under a grant to his professor -- well, it has been calculated in various ways, but it goes from 20 percent in some cases to 50 percent. One of the large foundations in the United States has a formula that brings about 47 percent of the grant for overhead.

There is a further reference I would like to make briefly in this context, Mr. Chairman -- this business of applying every year to the National Research Council and Defense Research Board. In February and March -- the end of January and February and March, many of my colleagues, Dr. Mackintosh and others of us here today, are busy making out forms in duplicate and quadruplicate to various organizations hoping we can get money and there is no assurance that that grant will be renewed for a subsequent year and research can never be carried and programmed to be accomplished in one year.

THE CHAIRMAN: Thank you. Dr. Mackintosh, you have got some good ideas in your brief, it would seem to me, about tax concessions and so on and it may make it more attractive for corporations and individuals to increase their financial contribution to universities. Is there anything that corporations can do to assist the engineering and science faculties in the way of providing part time teachers and lecturers?

DR. MACKINTOSH: I think there are things,

probably in particular circumstances. I think all of us to a limited extent have drawn on corporations but it depends on the particular circumstances. Some of them are becoming interested in this field and are even endeavouring to improve the lot of the high school teachers and give them some more sense of their importance in the scientific and engineering world and I think that is going to be very helpful indeed.

They are interesting themselves greatly in scholarships. If I may say so, personally, I am a little concerned about this. It comes primarily from American corporations who are not more experienced but less experienced than Canadian corporations in the matter of gifts to Canadian educational institutions. There is some danger that they set up a barrier of relatively small gifts for scholarships which do not compare at all with what Canadian corporations have been willing to give both for scholarships and for supporting the educational institutions.

THE CHAIRMAN: Couldn't you control that by setting up a set of rules? After all, it is pretty expensive to accept money in dribs and drabs if it is not really going to accomplish what you are after.

DR. MACKINTOSH: I have not much criticism of the scholarships. A good many of them include a grant to the university. The only thing that concerns me is that this is by no means the measure of what large business corporations ought to do in the educational field nor is it a meeting of their debt for professional and highly skilled personnel; it is a very small payment.

THE CHAIRMAN: We had the students appear before us last week and we were discussing the question of fees and in particular the question of bursaries and loans. In private conversation afterwards, I think some of them said that the bursaries fund available in some universities did not quite do the job, that a good many students were reluctant to apply for bursaries and others did not know about it, and they said that anyhow the prospective university undergrad was uninformed as to what measure of financial help he could get in the form of bursaries. If those are to go up or are to remain at the present levels, what are your views about the best way of handling the bursary and loan problem?

DR. MACKINTOSH: I have not very detailed views. My own preference runs toward the system particularly in relation to any professional faculty in which bursaries are available in the earlier years and loans are available in the later years, or a system of combined bursaries and loans with the loans portion being perhaps even 100 percent in the last year in a professional school, particularly one like engineering.

There has been some improvement in Ontario for entering students through the bursaries of the Atkinson Foundation but the one rule in respect of all these things about students, the one unbroken rule among students is that they believe very little of what any adult tells them. They believe what students a little older than themselves tell them and with any bursary or scholarship you would have to be content to wait two or three years until it has entered into the

conversation of students and is told to students by other students and then they really begin to know about bursaries. I think these Atkinson bursaries are showing signs of working very well but there is a lot to be done because the practice of the bursary is not so well known in this country and so far as my own institution is concerned we have a lot to learn about administering properly. They are difficult to administer but I am satisfied we have to do a great deal more with them.

THE CHAIRMAN: To go back to the corporations I don't want to introduce a commercial note or not to too great an extent anyway, but have you ever thought of charging a corporation \$1,000 a head for each graduate that you can contribute?

DR. MACKINTOSH: I have indeed thought of that. It is a little difficult to get yourself as the head of an institution into the position of where you can deliver. The graduate has the choice.

THE CHAIRMAN: To change the subject slightly, would you give us your views as to the need for greater use of vocational and technical schools? We are hearing a good deal in the course of these proceedings about the increased requirements in the future for people who have some elementary, if you like, technical training and the question of vocational and technical schools has come up and also the question of the need for training schemes in industry or really for retraining people who have to be directed from one job to another as a result of technological changes and improvements. Have you views on the vocational and

technical schools?

DR. MACKINTOSH: I can say one or two things but, of course, in this field I am a layman. The Ontario universities have had some discussions and I think I am correct in reporting that they were quite agreed on the need for and importance of an increased number of technical institutes. The industry was using engineering faculties as a school of technical personnel which could be trained better in technical institutes than in the universities -- the type of good fellow who has trouble on his mathematics and science and obviously is going to be a very useful fellow in industry but who is obviously one of the difficulties in our engineering faculty and he can be turned out of a technical institute.

We are also aware of a great disparity in industry in respect of the manner in which they use their engineers. Some industries have done quite a good job as far as we can make out in using engineers for engineering jobs but there are others who use engineers for anything for which today an engineering jargon is desirable. I have not any doubt that in the future employers who have engineers have got to see that they get the engineering value out of them and not as substitute draftsmen, technically trained personnel -- I have even threatened some engineers with starting a quick six weeks course in which I would teach a bunch of fellows to talk like an engineer. I was ready to wager that they would have a good opportunity of very good jobs in industry.

MR. GRAUER: Dr. Mackintosh, among the things that you thought the universities must do was to increase the numbers entering the universities. In dealing with that question do you notice any change in the qualifications of those who present themselves to the universities for admission, particularly along certain lines? We have heard, for instance, that the teaching of mathematics in the secondary and elementary schools would seem to be on the decline and among the reasons for that was the reason that a good mathematics teacher at those levels could get a much better paying job in industry and other lines than this, but as we are all talking about the need for engineers and specially trained people, presumably the teaching of subjects like mathematics should be improving all the time. What is the situation as you notice it at the university entrance level?

DR. MACKINTOSH: Well, Mr. Grauer, it is quite as difficult, I think, as you imply. The number of fully qualified mathematics and science teachers in the collegiates -- I speak actually of Ontario -- is declining. People of quite modest training in mathematics are necessarily taking up the work. Some of us are talking of special schemes to try and upgrade these people by creating summer institutions and so on where possible, where people can improve on their knowledge of mathematics. I expect every university head would speak differently on this. My own view is that in the past five or six years when examining entrants the high school graduates which we have taken into the

university have not actually included more good first and second class students than we were taking a good many years ago. Let me put it on this basis: I recall just a year or two ago that there were a few less students in Grade 13 classes in Ontario than there were in 1932-- decidedly less, about 40 less. Now, some of those have been coming into the university. My impression is there were not more first and good second class people among them than there were of the group in 1932.

MR. GRAUER: That is in absolute numbers?

DR. MACKINTOSH: In absolute numbers. There were more third class people among them and I think all of us in recent years at least have experienced higher wastage rates and when we talk of taking examinations perhaps my own thought is that we will make places for some of those numbers by a more rigorous policy; in other words, I like to set my sights on increasing the number of graduates and taking in as many as you need to take in to reach the maximum number of graduates you think you can turn out -- not to accept a certain number of entrants for whom you may perform an excellent service even if it doesn't go beyond taking them off the hands of the parents.

MR. GRAUER: Once they get into the university of course, the selection in which to major -- we have many more universities now with law schools and commerce schools and there seem to be quite large numbers of people going to these schools. Relatively speaking, is the number going into physics and chemistry and the scientific and engineering fields -- is that coming down relatively? What is the situation there?

DR. MACKINTOSH: I think my colleagues would bear me out in saying that in the last few years the big push has been towards engineering with some of them but not very much, spreading over into pure science. Arts courses, social science courses, have been on the whole down. The biggest pressure has been towards engineering. Every boy in the school who ever took his mother's alarm clock to pieces is sure that he is a great gift to the engineering profession and the engineers are out in the high schools in effect recruiting these people.

MR. GRAUER: Reverting to my first question --

DR. SMITH: I was just going to offer an appendix to what Dr. Mackintosh said, that certainly the guidance officers or whoever encounter these young men and women in the high schools, seem to be suggesting since the war that they should go into engineering. Speaking for the University of Toronto with 10,700 as compared with 7,000 -- 5,000 more than before World War II in absolute numbers, the fact is in the University of Toronto today that there are fewer students taking pure science than there were when we had 7,000. They are being siphoned off to engineering or the teaching in the high schools has not been sufficiently good to attract the students or direct them to a pure scientific field. We raised our entrance fee in 1954 from 60 percent in three studies and 50 percent, I think, to 60 percent in every subject across the board, and on papers for engineering we took in 608 students and 204 failed to go on to the next year, a loss of 33 percent. And you can spot them. In the vast majority of cases most of them had not been

well grounded in science and mathematics. The quantity of students taking science and physics and mathematics in the Ontario universities -- the percentage that has kept up has concentrated more on quality rather than quantity.

MR. GRAUER: While we are on the subject of secondary schools with relation to the apparent decline in the teaching standards in subjects basic -- the sciences and engineering, have you any suggestions for anything that business could do in that particular field? I think it is a field that business people usually don't think of. They are much more inclined to think of the university level insofar as they think of education at all.

DR. MACKINTOSH: A number of things are being attempted. As I mentioned there are summer institutes being developed. In the United States, I think it is the National Science Foundation has established a whole series of summer institutions with bursaries to bring partially qualified teachers back to the universities to get higher qualifications. They have even established some \$3,00 or \$4,000 bursaries to bring them into certain universities for a full academic year. A number of industries are trying to give some of the high school teachers a higher view of their profession and importance by taking them into industry during the summer vacations with the idea of giving them something they can tell the youngsters about the sort of things that are done with scientific and engineering training when they get into industry. I

think these are good things.

One thing I might mention that is apparently relevant here and grows out of an earlier discussion. When you talk about salaries it is not only the choice that a man or woman will make when they say: "Well, will I go into business at \$4,500 or will I take a job in teaching at \$3,600?"; it is the impression the kid in high school has years before. This is what arouses his imagination and what leads him to say: "I would like to go into teaching". If you have missing that, you can't recover much of it by offering the teacher \$300 or \$400 more to offset a business offer; it starts away back.

DR. KERR: Mr. Chairman, to keep the emphasis right we have been stressing the contribution that the sciences make and, of course, that is fundamental. If we want engineers they must be increasingly trained in physics, and if we are going to send men out to industry they must have a background of science, but it has been our experience -- and I think it is pretty general -- that when corporations come to us they need men who have a broad training in the humanities, who know English and who have a high general educational background so that we cannot very wisely concentrate on the scientific preparation of the universities provided the whole general education in the humanities is also a concern of the industry if those who come to us are at all typical.

MR. GRAUER: Yes, I am aware of that. There did seem to be some evidence that there just was

not the background of secondary teaching.

THE CHAIRMAN: I hope that some of my clients in Canada are ones that go to you, Dr. Kerr. They tell me that they do. Well, I think we should ask Dr. Stewart and Dr. Gushue if they would like to get into this.

MR. STEWART: I am very happy to be silent.

MR. GUSHUE: So am I.

THE CHAIRMAN: Well, thank you very much indeed for a very helpful submission and a very helpful discussion. We will have a break for a minute or two.

--- Recess

--- Recess

THE CHAIRMAN: Well, I think if we come to order -- Mr. Eadie, we are pleased to welcome you to these proceedings. We will mark your submission Exhibit 251.

MR. EADIE: May I just remind you, Mr. Chairman and gentlemen, that I am appearing on behalf of the Trans-Canada Telephone System. I am accompanied by Mr. Jim Hobbs of the Bell who is going to see that in matters statistical I don't wander from the facts.

Our national economic prospects are of vital concern to the Canadian telephone industry. The telephone industry, in turn, I would venture to say, Mr. Chairman, is of importance to the national economy of the future. And so I would presume that an appraisal of the telephone industry, relative to the present economy,

and some predictions as to its place in our future economy, might be appropriate to the consideration of this Commission.

As you may have noted, Mr. Chairman, the Trans-Canada system is not in a position of authority to speak for the whole Canadian telephone industry. There are important telephone organizations in this country that have, functionally, no concern with Trans-Canada; they include, for example, Canadian Overseas Telecommunications Corporation, The Avalon Telephone Company Ltd., Quebec Telephone, the Northern Telephone Company, the Ontario Northern system, the municipal systems of Edmonton, Port Arthur and Fort William, and many others. In fact, the members of Trans-Canada are only seven of some 2,800 separate systems of which the telephone industry of Canada is made up. Nevertheless, we provide local exchange service for nine out of ten of all the telephones in the country, and most of the long distance facilities. We feel, therefore, that we are in a position to provide this Commission, as is no other organization in the country, with information about the telephone industry which may be of importance to it.

In the opening section of our brief we provide a very short description of the organization of the industry and show the important part that the Trans-Canada Telephone System plays in making possible telephone service on a nation-wide scale.

We then deal briefly, beginning on page 5, with the development of the service. This is important

and I would like, with your permission, to take a moment to review it.

Telephone service in Canada has more than kept pace with the spectacular growth of the national economy of recent years. While, since the end of the Second World War, the population has increased 29 per cent and the volume of the Gross National Product has risen 38 percent, the number of telephones and the volume of long distance calls have more than doubled. In ten years more telephones have been added to the Canadian telephone systems than had been accumulated in the preceding 70 years that followed the invention of the telephone.

This remarkable increase in development has taken place within a period when both capital and operating costs have been subject to extreme inflationary pressures. Yet, while the cost of living has nearly doubled, the cost of local telephone service, as measured by the telephone component of the Consumers' Price Index, has risen only about one-half. There are now more telephones in Canada than in any other country in the world except two -- the United States and the United Kingdom. In ratio to population the telephones in Canada are exceeded in only two countries -- the United States and Sweden; and the ratio is twice that of the United Kingdom and nearly four times that of France. Canadians make more use of their telephones -- over 400 calls per capita per annum -- than any other nation on earth.

We in the telephone industry, Mr. Chairman,

feel that this reflects credit on the quality and the convenience of the service and on the relatively low cost at which it has been provided.

Although the primary responsibility of the Canadian telephone systems is to provide the public with telephone service, they also provide a variety of other communications services, (some examples are given on page 6.). This they can do with efficiency by the application of techniques, knowledge and equipment required for telephone operations.

We have reason to offer assurance that whatever the telecommunication needs of the nation, the telephone industry can provide them.

From its beginning the industry has believed that to discharge its responsibility to the public it must maintain as its goal the provision of the best telephone service at reasonable cost. This has involved good management in all directions, but most of all it has demanded constant search for improvements in the art. These have been sought mainly in two broad fields: transmission and switching.

The improvements sought in transmission have been to increase clarity, to reduce extraneous noise and to achieve higher fidelity, all at increasing distances. The aims in switching have been to improve the speed and accuracy of establishing connections between telephones. And an object common to both fields has been the control of costs.

And in our brief, Mr. Chairman, we elaborate the developments in both transmission and

switching. We predict that in 10 or 15 years' time nearly all telephones will be dial operated. And we describe the progress that is being made toward continent-wide long distance dialing. On page 10 we make this statement:

It is expected that most of Canada will be part of the continent-wide network by 1959. Calls between places in Canada will normally be provided over all-Canadian lines.

Actually, Mr. Chairman, it is not part of our plan to switch any such calls at points in the United States. But the way will still be open to us to obtain circuits over routes through parts of that country on a temporary lease basis to tide us over emergencies or to enable us to defer capital expenditures -- just as companies in the United States are able to rent circuits from the Canadian systems.

Beginning on the next page, page 11, we describe or refer to some of the changes in telephone technology that will be of significance in the future. They serve to illustrate the direction of efforts toward improved service and greater efficiency.

The section of the brief beginning on page 12 deals with a factor of increasing importance in the telephone industry, namely, radio-telephone. It provides communication with isolated settlements on off-shore islands and on our northern frontiers. It assists many industries, in some cases leading to new and more efficient methods of operation. It provides communication between vehicles and other

telephones throughout the country.

Radio-telephone is one of the important means by which the telephone industry is keeping pace with the economic advance of the nation.

Following the end of the Second World War it became apparent that large-scale expansion of the backbone, coast-to-coast long distance route would be needed. On the basis of extensive engineering studies, it was decided that microwave radio-relay, the newest method of telephone transmission, would best meet the requirements with regard to economy, reliability and expansion potential. It would also transmit television programmes and so fill another national communications need.

Our brief, Mr. Chairman, contains a short technical description of this system on page 13.

When it is completed, this backbone system will stretch 3,800 miles from Sydney to Vancouver. It will have the capacity, when fully equipped, to transmit thousands of telephone conversations, and one or more television programmes at the same time; and a television programme may be in black and white or in colour.

Initially, service demands can be met by equipping the system to operate at only a small portion of its capacity. As demand increases its capacity can be stepped up by degrees at relatively small cost. The basic system should thus be equal to the backbone telephone demand of the nation for many years to come.

For that matter, it is difficult to foresee communications requirements across Canada that could not be met by expanding the capacity of this basic net-work. We already know how to expand it to something like 25 to 35 times the greatest capacity presently required of it -- on the Toronto-Montreal route -- and I have personally no doubt that when the demand exceeds our present technological resources we will be ready with the methods required to extend its capacity still further.

The section of our brief under the title "National Defence", page 14, describes how the telephone industry, by combining the communications requirements for defence with those for the general economy, is saving the federal government capital investment and, moreover, is providing defence authorities with assurance of dependable maintenance by personnel and organizations experienced in the particular parts of the country in which they operate.

There are, also, defence requirements for communications that surpass those of the general economy. They include requirements that would be difficult, if not impossible, to meet if it were not for our highly organized telephone industry. One such requirement involved the engineering and construction of the first tropospheric radio-relay scatter system anywhere in the world for regular service use. Another, the most important and by far the most massive defence project entrusted to the Canadian telephone industry, is the construction of the Mid-Canada Warning Line.

The section of the brief on "Resources" on page 16 states that the telephone industry, with investment in plant and equipment of \$1½ billion, ranks amongst the major industries in the country. It states that probably an even more precious asset is the force of over 55,000 skilled men and women who build, maintain and operate the systems; regardless of prior education they must be specially trained to enable them to take their places in the industry. We refer to the interchange agreements as a result of which any Canadian may go to a telephone and make a call to almost any other telephone in the world. And we point to the inestimable value of the arrangement by which we benefit from the research done in the Bell Telephone Laboratories in the United States.

I would point out, Mr. Chairman, that probably no single operating telephone company, in this or any other country, could afford to support a research organization of such dimensions. In fact, apart from the prohibitive cost, it seems likely that the staffing of an organization like it would present difficulties. It includes about 2,900 scientists and engineers, representing almost all branches of the physical sciences and engineering -- many of them with world-wide reputations in their field.

We, in the Canadian telephone industry, feel that we are fortunate in the extreme to be able to benefit from the results of this organization, on terms we can afford.

As technological advances continue to

improve the quality and convenience of telephone services and to maintain the reasonable level of their costs, the rate of growth in the demand for services may be expected to continue to outstrip that of the economy itself.

And here, Mr. Chairman, beginning on page 17, we launch some predictions about the near and the more distant future in which I have confidence, but in connection with which I can offer no proof, other than the record of the industry's past achievements, its present plans, and its implicit faith in the future of our country.

Detailed studies have produced estimates that in the next ten years the number of telephones in the country may increase by over 45 percent, to a total of 6 million, and the daily volume of long distance calls by 70 percent, to nearly 800,000. Given a continuance of favourable conditions both within and outside the industry, these figures could reasonably be projected for 25 years hence to 10 million telephones and 1,500,000 daily long distance calls.

This rate of development would necessitate the additional investment of huge sums. The industry is now spending about \$200 million annually on new construction. To satisfy the demand potential for the next 25 years would involve expenditures of over \$3 billion in this period. This would bring total investment in the industry to \$4,500,000,000, three times the present amount.

While some of the new capital can be

expected to come from internal resources of the industry, principally depreciation reserves, the major portion will have to be found outside. In the last ten years the industry has been responsible for over 25 percent of the common stock financing in Canada. In the case of government systems the new money will probably consist of government financing; in the case of the privately owned systems it will have to be obtained from private investors. In either case the telephone systems will have to be able to produce earnings sufficient to warrant public confidence in them. Such earnings can be achieved only by adequate rates for service. And while telephone technology and management will likely be able to control costs to the extent that they will rise less than the cost of living or the level of family income, nevertheless some increases in rates will no doubt become necessary. The regulatory authorities will have to continue to recognize the wisdom of granting rates adequate to attract the new capital needed by the industry to enable it to make its contribution to the growing economy of the nation.

In an industry the future of which seems to be so greatly involved with technological developments, the trend of employment might be expected to be downward. In the telephone industry, however, history would argue against such a trend. In 1920, before any appreciable amount of mechanization had appeared, the total force of telephone employees was 21,000. Today, with 72 percent of the telephones dial-operated and a

third of the long distance calls automatically switched, there are over 55,000 employees.

The total telephone force of the future will follow past trends; it will be smaller, relative to the volume of service provided, but it will grow in actual numbers. In 25 years it may double. It will consist of a greater proportion of highly skilled, highly paid people. Overall, it will contribute to a higher standard of living.

The Canadian telephone industry recognizes a dual responsibility to the people of Canada first to provide at reasonable cost communications services of high quality, in the quantities and varieties that will facilitate and stimulate the nation's social and economic development; and second, to establish and maintain an integrated communications network tailored to the requirements of continental security and progressive well-being. In every significant respect -- advancing technology, material assets and, above all, trained personnel and management resources -- the telephone industry is prepared to participate fully in developing Canada's future.

Mr. Chairman, we appreciate this opportunity of offering our contribution to the very worthy objects of this Commission. Thank you very much.

THE CHAIRMAN: Thank you very much, Mr. Eadie. I was interested in your statement here that despite the technological improvements and the fact that your industry has experienced automation as much as any perhaps, that the total number of employees has increased

considerably. There are obviously many factors which have entered into that. We have heard a good deal about the possible or probable effects that will result from increased mechanization or automation. Would you feel that if you could generalize there is nothing to fear from that form of technological change?

MR. EADIE: I was proposing to speak to a number of our employees in Hamilton on Saturday night about the security of our job.

THE CHAIRMAN: Well, try it out on us.

MR. EADIE: Frankly, I can't help feeling other than that there are tremendous possibilities in the communications industry. As I have said in here, the absolute number is going to go up with proportion to the amount of service we provide. I know we are not going to grow as quickly but we are going to require more and more highly skilled people. We are going to require more of these engineers we have been hearing about. I agree we are taking a fair share now. The absolute number of employees in our industry is going, I feel, to go up because I feel we can make our service so attractive and every improvement we put in tends to increase the demand for service. I am satisfied that that is going to continue to require more and more people in our industry.

THE CHAIRMAN: Thank you. I was pleased that you referred to the research facilities that are available to you in the United States. We have heard a good deal about the desirability of further research work in Canada and I don't think there are many people

who dispute the desirability of having more research here but on the other hand talking about it sometimes we forget that one of the real assets in this country is our access to the tremendously valuable research facilities that do exist in the United States in many industries. In your case, are those facilities available to all the member telephone companies or just to your own?

MR. EADIE: Those facilities through service contracts are available to any company in Canada that wishes to take advantage of them. Most of the large systems are now using all those facilities -- just the same way they have everything that is available to us, but it is a co-operative effort and I don't see how it would ever be feasible for us to undertake work of that magnitude in Canada ourselves.

THE CHAIRMAN: You would be silly to try.

MR. EADIE: It is a co-operative effort and I think that is the way we are going to have adequate research in Canada -- through co-operative effort. Unfortunately, there is only one telephone industry. There is a tremendous amount of work to be done.

THE CHAIRMAN: In talking about the volume of work to be done and the expansion that is ahead of your industry you mentioned that part of the financing would be taken care of internally through the reinvestment of depreciation reserves, etcetera. With the technological changes that seem to happen in your industry, the speed of them, do you feel that the

depreciation rates are adequate?

MR. EADIE: Yes, I feel they are. Our new developments are all designed to make the best possible use of what we have. That is one of the values of this research. The research is really tied in with the existing facilities programme where we can make the best use of what we have so I have every reason to feel that our depreciation allowances are adequate.

THE CHAIRMAN: Thank you.

MR. GRAUER: As far as the next 25 years are concerned, I rather gathered you don't have any particular problem provided that as far as the private sector is concerned, public regulation continues to be reasonable and you do not anticipate any financing problem or technical or research problem particularly in meeting the calls for your service?

MR. EADIE: No, we feel that we have the ways and the means of developing and providing the services which the public will use to the best advantage. I have suggested -- and it applies equally well to the provincial systems -- that we do have to have rates which are adequate to enable us to keep up. If their rates fall behind and they cannot maintain the technological developments we feel that is very unfortunate for the territories they serve or which have to be able to raise the money.

MR. GRAUER: Generally speaking it is a very comforting sort of industry to have before us.

MR. EADIE: We hope it turns out that way.

MR. GUSHUE: I was interested in your

reference to the solar battery. Would you like to explain a little of that? It is an intriguing sort of reference.

MR. EADIE: Well, in the telephone industry we are not so much interested in the magnitude of the power as we are with the availability of the power. The amount of power required to activate a telephone set is very, very small. We have to use direct current and now the Bell Telephone laboratories have developed a smaller battery which is made up of three discs about the size of a 25 cent piece. These discs are treated with a very pure silicon. If exposed to the sun those three discs will produce sufficient electricity to energize a telephone set. That is all we need. Now, the practical application of that is now being developed in rural areas to give service to places where the commercial power is maybe not too dependable and we are setting up these solar batteries so that they will pick up energy from the sun during the daytime and store it in a sufficient amount to provide service. That does not mean that you have to have the sun shining.

MR. GUSHUE: That is what I was going to ask.

MR. EADIE: You can get enough energy from the sun even on a cloudy day to operate a telephone set.

MR. GUSHUE: There are rude remarks being passed here that it will work even in Newfoundland.

MR. EADIE: It sure would.

MR. GUSHUE: Yes, just one other question. How does Canada or the Canadian industry fit into the new transatlantic telephone system that is now being laid -- is that part Canadian effort?

MR. EADIE: The Canadian Overseas Telecommunication Corporation has Canadian representation in that three company effort. The British Post Office, the Atlantic Telephone and Telegraph in the United States and the Canadian Overseas Telecommunications in Canada are actually building the cable and building the microwave system in the eastern provinces and they will carry the circuits to Montreal and at Montreal they will connect into the facilities provided by the Canadian Telecommunications system. So we are working very closely with the Canadian Overseas Telecommunications Corporation in engineering and preparing to see that the land line facilities are available not only to take all transatlantic calls but also to pick up any calls that are to be carried to the west coast and then transmitted out to the Far East because Canadian Telecommunication Corporation are providing a transmitter in British Columbia so that commercial conversations can be broadcast to the Far East from there.

MR. GUSHUE: Is Canadian Overseas Telecommunications a private company?

MR. EADIE: Canadian Overseas Telecommunications is a Crown corporation which took over from Marconi when the Commonwealth organized inter-country communications and the Canadian Overseas

Telecommunications is Canada's participant in that company.

MR. STEWART: You mentioned certain other services in addition to telephone which were provided by your industry -- industrial control and data processing. Is that field likely to be expanding within your system?

MR. EADIE: I think it has tremendous possibilities. The idea of centralized subscriber electronic equipment which can process this data will make it economic for firms and organizations to bring in information from all their branches to a central point and do their processing at a central point. A high grade telephone circuit is required for much of that transmission of data so we feel it has tremendous possibilities.

THE CHAIRMAN: Well, thank you very much, Mr. Eadie, for your interesting submission.

MR. EADIE: Thank you.

--- Recess

--- After recess

THE CHAIRMAN: Can we come to order? We were expecting the Canadian Business Equipment Manufacturers Association. We understand you made a deal with them and they are not coming and the Township of Trafalgar is.

MR. McCONACHIE: That is right, sir. The Business Equipment people will file their story at a later date and they had no objection to the township people ----

THE CHAIRMAN: I was just remarking that works out of the free enterprise system.

MR. McCONACHIE: That is it.

THE CHAIRMAN: We will mark your brief Exhibit 252. Before you proceed would you be good enough to introduce the people who have been good enough to come here today.

MR. McCONACHIE: Yes, Mr. Robert Marshall, Reeve, Mr. S. A. Featherstone, Chairman of Council, Mr. McKee, Commissioner for Industrial Development, Mr. Louis Mayzel, Owner of Industrial Development Properties, Mr. Harry Mayzel, Solicitor.

We are now submitting certain information relative to Trafalgar Township for review by your Commission.

As an integral part of our presentation, we have included copies of our current zoning maps, a list of the industries already located within our township boundaries and a record of registered industrial and residential developments planned for execution in the near future. We hope that this supplementary material proves helpful in your evaluation of this presentation and other briefs that have been submitted during the course of your public hearings.

We are aware of the fact that our Provincial Premier, the Hon. Leslie Frost, has presented a very complete brief relative to the future development of Ontario. We are mindful also of the fact that you have received submissions from the Municipality of Metropolitan Toronto, the City of Hamilton and other

interest or industries where Trafalgar Township is indirectly or directly concerned.

We felt, however, that developments in our area warranted direct representation, stressing in this manner the planning completed, the results accomplished, the developments registered or underway and the objectives that we hope to reach during the years under review by your Commission.

I will not read all of the facts and figures in the brief but will endeavour to cover the highlights. For the benefit of those members of your Commission who do not know perhaps where Trafalgar Township is, I ----

THE CHAIRMAN: I am sure we do.

MR. MARSHALL: If you will refer to the map of Central Ontario it is located in Halton County midway between Metropolitan Toronto and Greater Hamilton on Lake Ontario between Nelson and Toronto Townships.

There are 30,554 acres within our south planning area zoned as set out below:

Industrial	3.449 acres
Residential	13.426 acres
Agricultural	12.780 acres
Greenbelt	777 acres
Commercial	122 acres

The Township population inclusive of Oakville and Bronte is at the present time. At the end of 25 years we anticipate that there will be a population approximating 60-70,000 within these limits.

We are confident that in the immediate years ahead, and well before 1980, Trafalgar Township in the vicinity of Oakville will become the key industrial and residential area between Metropolitan Toronto and Greater Hamilton.

Because of the central location between Greater Hamilton and Metropolitan Toronto, Trafalgar Township will become the focal point of development for industry and those people living in the region who desire to live in suburban surroundings in preference to the built-up areas within the Metropolitan sections of both cities. This is the essence of our presentation and the basis for our forecast -- i.e. that the horizontal development to the west on the fringes of Metropolitan Toronto will continue -- that the development of Greater Hamilton into Burlington and into Nelson Township to the east will continue and meet in Trafalgar Township.

POLITICAL IMPLICATIONS AND DEVELOPMENTS

We suggest to the Commission that some time in the not too distant future the region will function as an economic and social unit. We suggest that these developments may require certain political adjustments to be made at various levels throughout the area. We are here today to express views and desire to record our willingness to discuss these problems with the Department of Municipal Affairs, adjoining municipalities and other properly constituted bodies. We are of the opinion that our observations in this regard should be filed with this Commission because some of the industrial elements within our Township

boundaries have national significance and because we feel that this Commission will be in a position to make sound and realistic recommendations to all concerned along these lines, when your work is finished.

INDUSTRIAL DEVELOPMENT AGENCIES

New industries locating in Canada for the first time and existing Canadian companies who may desire to re-locate their facilities or open new branch operations in this country sometimes need the assistance of various individuals or agencies with a background of experience or information relative to the areas in which they are interested.

We commend to the Commission the substantial services that have been performed along these lines by

1. The Oakville Chamber of Commerce,
2. The Toronto Industrial Commission,
3. The Planning And Development Department of the Ontario Provincial Government,
4. The Business Development Sections of the Canadian Chartered Banks,
5. The Industrial Development branches of the Canadian National Railways and the Canadian Pacific Railway Company,
6. The Industrial Development Bank,
7. The Industrial Development branch of the Department of Trade & Commerce in the Government of Canada.

Trafalgar Township has benefited from some of these and I would like to commend to the Commission the substantial services that have been

available along this line by the Oakville Chamber of Commerce.

We suggest that this Royal Commission might make a special study of the part that has been played by these various industrial development agencies and consider the possibility of increased Federal Government participation in this field of activity. It is recognized that our Trade Commissioners abroad are generally the first to contact interested parties relative to Canadian problems. There are so many problems affecting industry today where Federal Government regulations are involved we do feel that all concerned might welcome increased co-operation and leadership. With a view to making this recommendation more specific, we suggest that this additional effort might be made through the Industrial development branch of the Department of Trade & Commerce who have done a fine and constructive job to date.

INDUSTRIAL ADVISORY COMMITTEE

This Township now employs the services of a full time Industrial Commissioner who works with our Industrial Committee referred to elsewhere in this presentation and answers to the Township Council.

Mr. Geo. W. Finley is now working in the interest of Trafalgar Township after many years of successful operation along similar lines at Ajax, Ontario.

I would like to draw the Commission's particular attention to what might be the major development project in Trafalgar Township with which Mr. Maysel and Mr. McKee and his associates are closely identified.

FALGARWOOD INDUSTRIAL COMMUNITY

Those interested in this project have approximately 1500 acres under development close to the Ford of Canada installation. They have laid out their industrial acreage on the Queen Elizabeth Way as a completely planned manufacturing centre. We can report the following in this connection:

1. Duplate Canada Ltd., has just purchased 11.5 acres with siding facilities on the south side of the highway.
2. Canadian General Electric Company has just announced an expansion programme for its Oakville plant immediately adjoining(1).
3. The Development Company proposes to build a plant for lease with siding facilities.
4. The Development Company proposes to build a plant for lease opposite the Ford plant within the manufacturing centre.
5. The Development Company proposes to build a small multi-tenancy industrial structure to accommodate users of small industrial areas in the early stages of their business development within the centre.
6. The Development Company proposes to build a multi-tenancy industrial structure within three months that will accommodate six to eight small factories under one roof -- with common parking facilities, metal working shop, cafeteria, reception centre and other facilities as required. The layout of this structure was conceived by Anderson-Nichols Canada Limited, an

engineering company affiliated with the organization who completed the preliminary and final drawings (in company with U.S. Government agencies) for the Radar Islands off the Atlantic Seaboard and part of the U.S. -- Canada Air Defence System. This structure will have certain facilities built into it that will be of special interest to the electronics and electrical industries.

This building or structure has been designed keeping in mind the industrial users that have come to Canada since the end of World War II. You are probably all familiar with the small one-storey industrial buildings that have been built on the fringes of Metropolitan Toronto, Montreal and other cities. The general idea of this building is that by having one power plant in this one building these small manufacturing concerns with up to 25,000 square feet might be accommodated within one building.

7. Concurrent with the development of the industrial land referred to above, the Development Company will undertake residential building as required by new industry.

We anticipate full co-operation from Messrs. Mark McKee -- Mr. Louis Mayzel and Mr. Charles Redfern and their industrial development organization as they proceed to develop the Falgarwood Industrial Community.

RESIDENTIAL PLANNING - CONSTRUCTION

Our south planning area has 13.426 acres zoned for residential building and set out below is a

schedule indicating the volume of construction within our boundaries.

<u>YEAR</u>	<u>PERMITS</u>	<u>VALUE OF CONSTRUCTION</u>
1953	285	\$3,526,000.00
1954	443	4,312,000.00
1955	1052	10,000,000.00

We anticipate an average of \$23 million per annum in residential building over the next three years and there will be capital outlays in the vicinity of \$2,300,000 to service this construction programme.

The following companies have indicated firm intentions to carry out major residential development programmes in the immediate future. As you can see from the brief there has been a substantial growth in the volume of residential building in recent years and having a construction rate of from \$3 million to \$10 million until the end of 1955, the Township anticipates an average of \$23 million per annum in residential in the next three years.

The Township anticipates reaching about 75 to 80 percent of its development projects by about 1960.

We have found that it costs about \$1,000 per dwelling to provide pavement, sidewalks, water mains, sewer mains, curbs and curb cuts at current construction costs.

At the present time there are a substantial number of Trafalgar Township workers living well outside the area who desire to own or rent their living quarters nearer to their place of employment. This type of

industrial worker will represent an important part of the market for the residential builders in the years to come. It is also recognized that the town of Oakville and vicinity offers superior advantages to those looking for high quality residential building locations. A desire to complement these prevailing conditions has characterized our planning for the future of the Township.

I will not read the section on schools other than to report this is one township that seems to have kept their requirements fairly well in line with building.

In transportation this Township has relied in the past on highway and rail transport to reach what are now the metropolitan areas of Toronto and Greater Hamilton. We have seen how development has followed as arterial through highways have traversed the township parallel to the original Lakeshore Road -- first, the Queen Elizabeth Way and currently the Toronto by-pass highway 401 which will soon be completed through to Windsor, Ontario. Secondary roads connecting these main east-west thoroughways will contribute towards a more even distribution of development.

In the light of the ever-growing volume of truck and automobile traffic on these highways that will increase during the years under review by the Commission, and contribute towards congestion at the highway terminals, we respectfully suggest that those concerned must sometime soon take steps to

provide improved interurban rail service between Toronto and Hamilton. We are of the opinion that a greater easement of our current traffic problems and those of the future will best be served by capital expenditures in this direction in place of increased highway construction -- expressways and the like.

AIR SERVICES

Malton Airport is 18 miles from Trafalgar Township providing air service connections to all major cities in Canada, the United States and overseas within a half hour's driving time from the town of Oakville.

Within the next few days the first test helicopter flights between Toronto and Hamilton will take place and these trial flights will continue throughout the coming months against future operations.

Planners for the Falgarwood Industrial Community opposite the Ford of Canada Oakville plant, will have a heliport immediately adjacent to the site they have chosen for a major industrial structure. This heliport will be constructed according to regulations laid down for such facilities by the Civil Aviation division of the Department of Transport.

When regular economic service is available a helicopter will carry passengers from this heliport into the downtown business section of Toronto in ten minutes -- shuttle service to Malton Airport will be available as required.

Canadian Helicopters Limited are making the test flights and they forecast that this service might be available within three years or sooner.

HARBOURS

There are two fine small harbours within our Township boundaries at Oakville and Bronte. At each harbour there is a branch of Northern Shipbuilders & Repair Company Limited and these marine works presently service the requirements of a large number of pleasure craft plying regularly throughout the open seasons between our own Canadian harbours and ports in the United States.

It is likely that the St. Lawrence Seaway will have some impact on both these harbours. When existing industry within our boundaries or new Trafalgar industries, requires increased harbour facilities, we will approach the Department of Public Works, in company with the Oakville and Bronte authorities, with a presentation outlining our needs -- confident that the Federal Government will entertain proposals that are backed up at the time with evidence of real economic need for the work involved. In the meantime we desire to record our approval of the manner in which these harbours have been kept in a state of readiness by the Department against the time when such work might be required.

I don't contemplate elaborating upon the comments in the brief on shopping centres, water supply or under the subject of hospitals. Natural gas supply --

It is of interest to note the United Suburban Gas Company has a franchise for the distribution of natural gas within our Township limits.

They have recently purchased land on the Falgarwood properties for a compressor station. Some of the industries presently located within our boundaries have completed engineering studies re the use of natural gas in their manufacturing processes.

INDUSTRY - LABOUR - AND THE COMMUNITY

It is our purpose to make every effort to secure and develop a diversified group of manufacturers for our area. This will help to minimize the effect on the community of dislocations that may occur at irregular intervals in some of our existing industries. These conditions we must anticipate as characteristic in a flexible and free economy.

As set out elsewhere in this presentation, there are a great number of workers living at some distance from their place of employment. Every effort will be made to provide residential accommodations within the Township boundaries, consistent with the requirements of our own industries and reasonable needs of the overall Metropolitan Toronto - Greater Hamilton area.

We had a couple of communications today from the Ford Company and Canadian General Electric. Mr. Walker, the new manager at Ford's following Mr. Cochrane's promotion to head office, said:

"Choice of Trafalgar Township as site for our auto and truck assembly plant has met our expectations and we have found it a suitable location for these operations."

And J.H.Goss, President of Canadian General Electric Company, said:

"Our plans for further expansion of our lamp manufacturing operations at Oakville are based on the suitability of the area in all respects for this type of operation - stop. We have found the community co-operative and have every confidence in further expansion of our activities in the present site."

This is followed by a list of industries and as a summary -- It has not been our purpose to appear before this Commission and enlarge unduly upon the importance of our area in the future of the Greater Hamilton - Toronto area or its importance in the future development of Canada. It is, however, our sincere belief that the optimum development of Trafalgar Township in its local and national sense is only possible through the utmost co-operation at all levels of government.

We, therefore, hope that our submission today may stimulate some interest and prove of some value as you approach the evaluation of this and similar presentations relative to areas that we have mentioned throughout our brief.

As Canadian citizens who are aware of the problems that you must solve in the coming months, we wish you well and hope that the publications of your findings will not be too long delayed, because we do feel that they will be of substantial use to our Council and other similar municipal bodies across

Canada.

THE CHAIRMAN: Thank you very much, Mr. McConachie. That is an interesting story of what can happen and probably what will happen in other places. My wife was born in Hamilton and she sometimes resents a suggestion that Toronto is spreading westward and some day may include even Hamilton and it will be a great relief to her to know that Trafalgar Township looks as if it is going to take over both cities.

MR. McCONACHIE: We tried to express the situation as delicately as possible.

THE CHAIRMAN: Well, thank you very much. We will adjourn until tomorrow.

(At 5.30 P.M. the Commission adjourned until Wednesday, March 7th, 1956)

